Criteria for Performance Excellence

integrity

accomplishment

competitiveness

Malcolm Baldrige
**National
Quality
Award**

A Public-Private Partnership

Building active partnerships in the private sector, and between the private sector and all levels of government, is fundamental to the success of the Baldrige National Quality Program in improving national competitiveness. Support by the private sector for the Program in the form of funds, volunteer efforts, and participation in information transfer continues to grow.

To ensure the continued growth and success of these partnerships, each of the following organizations plays an important role:

The Foundation for the Malcolm Baldrige National Quality Award

The Foundation for the Malcolm Baldrige National Quality Award was created to foster the success of the Program. The Foundation's main objective is to raise funds to permanently endow the Award Program.

Prominent leaders from U.S. organizations serve as Foundation Trustees to ensure that the Foundation's objectives are accomplished. A broad cross-section of organizations from throughout the United States provide financial support to the Foundation.

National Institute of Standards and Technology (NIST)

The Department of Commerce is responsible for the Baldrige National Quality Program and the Award. NIST, an agency of the Department's Technology Administration, manages the Baldrige Program. NIST promotes U.S. economic growth by working with industry to develop and deliver the high-quality measurement tools, data, and services necessary for the nation's technology infrastructure. NIST also participates in a unique, government-private partnership to accelerate the development of high-risk technologies that promise significant commercial and economic benefits, and — through a network of technology extension centers and field offices located in all 50 states and Puerto Rico — helps small- and medium-size businesses access the information and expertise they need to improve their competitiveness in the global marketplace.

American Society for Quality (ASQ)

ASQ assists in administering the Award Program under contract to NIST. ASQ is dedicated to the ongoing development, advancement, and promotion of quality concepts, principles, and techniques. ASQ strives to be the world's recognized champion and leading authority on all issues related to quality. ASQ recognizes that continuous quality improvement will help the favorable positioning of American goods and services in the international marketplace.

Board of Overseers

The Board of Overseers is the advisory organization on the Baldrige National Quality Program to the Department of Commerce. The Board is appointed by the Secretary of Commerce and consists of distinguished leaders from all sectors of the U.S. economy.

The Board of Overseers evaluates all aspects of the Program, including the adequacy of the Criteria and processes for determining Award recipients. An important part of the Board's responsibility is to assess how well the Program is serving the national interest. Accordingly, the Board makes recommendations to the Secretary of Commerce and to the Director of NIST regarding changes and improvements in the Program.

Board of Examiners

The Board of Examiners evaluates Award applications and prepares feedback reports. The Panel of Judges, part of the Board of Examiners, makes Award recommendations to the Director of NIST. The Board consists of leading U.S. business, health care, and education experts. NIST selects members through a competitive application process. For 2000, the Board consists of about 400 members. Of these, nine (who are appointed by the Secretary of Commerce) serve as Judges, and approximately 70 serve as Senior Examiners. The remainder serve as Examiners. All members of the Board must take part in an Examiner preparation course.

In addition to their application review responsibilities, Board members contribute significantly to information sharing activities. Many of these activities involve the hundreds of professional, trade, community, and state organizations to which Board members belong.

Award Recipients

Award recipients are required to share information on their successful performance and quality strategies with other U.S. organizations. However, recipients are not required to share proprietary information, even if such information was part of their Award application. The principal mechanism for sharing information is the annual Quest for Excellence Conference.

Award recipients in the 12 years of the Award have been very generous in their commitment to improving U.S. competitiveness and the U.S. pursuit of performance excellence. They have shared information with hundreds of thousands of companies, education institutions, health care organizations, government agencies, and others. This sharing far exceeds expectations and Program requirements. Award recipients' efforts have encouraged many other organizations in all sectors of the U.S. economy to undertake their own performance improvement efforts.

To: U.S. Business Community

From: Harry S. Hertz, Director
Baldrige National Quality Program

Subject: The Baldrige Challenge

Whether you are a CEO, a business executive, a mid-level manager, an employee committed to improving your organization, or a student of business practices, the Baldrige Criteria for Performance Excellence can help you prepare for the changes occurring in today's global marketplace. Study them and you will learn; use them and your organization will improve. With ever-increasing competition in today's business environment, your organization is seeking every opportunity to improve its business results. For more than a decade, the Baldrige Criteria for Performance Excellence have been a significant tool used by thousands of U.S. organizations to assess and then improve performance on the critical factors that drive their business success.

Whether your business is small or large, involved in service or manufacturing, or located down the street or across the globe, the Criteria provide a valuable framework and can help you assess and measure performance on a wide range of key business indicators: customer, product and service, operational, human resource, and financial. The Criteria are built upon a foundation of Core Values and Concepts vital to your business: visionary leadership, customer driven, organizational and personal learning, valuing employees and partners, agility, focus on the future, managing for innovation, management by fact, public responsibility and citizenship, focus on results and creating value, and a systems perspective. Also, the Criteria can help you align resources; improve communication, productivity, and effectiveness; and achieve strategic goals. Baldrige Award recipients report outstanding results; as a group, those who report productivity as income per employee have reported an average compounded annual growth rate of over 9 percent.

If you are ready to take the Baldrige challenge, you must decide whether to perform a self-assessment only or also to submit an Award application. Self-assessment allows you to identify strengths and to target opportunities for improvement on processes and results affecting all key stakeholders — including customers, employees, owners, suppliers, and the public. In the most competitive business sectors, organizations with world-class business results are able to achieve a score above 700 on the 1,000-point Baldrige scale. Even if you don't expect to win the Malcolm Baldrige National Quality Award, submitting an application has valuable benefits. Every applicant receives a detailed feedback report — based on an independent, external assessment conducted by a panel of specially trained and recognized experts.

Ultimately, your application may lead to a site visit. It also may lead to a Baldrige Award. It will most certainly identify high priority opportunities for performance improvement. Many Award recipients tell us their greatest rate of improvement occurs the year after receiving the Award. While we make no promises for the future, on average, publicly-traded, Baldrige Award recipient companies have outperformed the Standard & Poor's 500 by 3 to 1. If you receive the Baldrige Award, you may publicize and advertise your organization's winning status.

We make only one requirement of recipients: that you share non-proprietary information from your application summary and participate in the Quest for Excellence Conference in April 2001, so that others might learn from your success.

The Criteria are in your hands ... so is an incredible opportunity. Why not take the challenge? Turn these pages, and turn the corner toward performance excellence.

Quest for Excellence XII Conference

Each year, Quest for Excellence, the official conference of the Malcolm Baldrige National Quality Award, provides a forum for Baldrige Award recipients to share their exceptional performance practices with worldwide leaders in business, education, health care, and not-for-profit organizations. Quest for Excellence XII will showcase the 1999 recipients.

For the last 11 years, executives, managers, and quality leaders have come to this conference to learn how these role model organizations have achieved performance excellence. CEOs and other leaders from the Award recipients who are transforming their organizations give presentations covering all seven Categories of the Baldrige Criteria, their journey to performance excellence, and their lessons learned. Conference attendees will have the opportunity to ask questions of the Award recipients. This three-day conference is designed to maximize learning and networking opportunities.

The Quest for Excellence XII Conference will be held March 12-15, 2000, at the Marriott Wardman Park Hotel in Washington, DC. For further information, contact NIST, Baldrige National Quality Program, Administration Building, Room A635, 100 Bureau Drive, Stop 1020, Gaithersburg, MD 20899-1020; telephone: (301) 975-2036; fax: (301) 948-3716; or E-mail: nqp@nist.gov.

The Malcolm Baldrige National Quality Award

The Award, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black anodized aluminum with the Award recipient's name engraved on the base. A 22-karat, gold-plated medallion is captured in the front section of the crystal. The medal bears the inscriptions: "Malcolm Baldrige National Quality Award" and "The Quest for Excellence" on one side and the Presidential Seal on the other.

The President of the United States traditionally presents the Awards at a special ceremony in Washington, DC.

Crystal by Steuben

The Malcolm Baldrige National Quality Award logo and the phrases "Quest for Excellence" and "Performance Excellence" are trademarks and service marks of the National Institute of Standards and Technology.

CONTENTS

Education and health care organizations should use the appropriate Criteria booklets for their respective sectors. See page 53 for ordering information.

If you plan to apply for the Award in 2000, you will also need the booklet entitled *2000 Application Forms & Instructions for Business, Education, and Health Care.* Ordering instructions are given on page 53.
Eligibility Forms due — April 6, 2000   Award Applications due — May 31, 2000
We are easy to reach. Our web address is http://www.quality.nist.gov.

Criteria Purposes

The Malcolm Baldrige Criteria for Performance Excellence are the basis for organizational self-assessments, for making Awards, and for giving feedback to applicants. In addition, the Criteria have three other important roles in strengthening U.S. competitiveness:

- to help improve organizational performance practices and capabilities;

- to facilitate communication and sharing of best practices information among U.S. organizations of all types; and

- to serve as a working tool for understanding and managing performance, and guiding planning and training.

Criteria for Performance Excellence Goals

The Criteria are designed to help organizations enhance their performance through focus on dual, results-oriented goals:

- delivery of ever-improving value to customers, resulting in marketplace success; and

- improvement of overall organizational effectiveness and capabilities.

Core Values and Concepts

The Criteria are built upon a set of Core Values and Concepts. These values and concepts are the foundation for integrating key business requirements within a results-oriented framework. These values and concepts are the embedded behaviors found in high performing organizations. The Core Values and Concepts are:

Visionary Leadership

An organization's senior leaders need to set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders need to ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The values and strategies should help guide all activities and decisions of your organization. Senior leaders should inspire and motivate your entire work force and should encourage involvement, development and learning, innovation, and creativity by all employees.

Through their ethical behavior and personal roles in planning, communications, coaching, developing future leaders, review of organizational performance, and employee recognition, your senior leaders should serve as role models, reinforcing values and expectations and building leadership, commitment, and initiative throughout your organization.

Customer Driven

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics that contribute value to your customers and lead to customer satisfaction, preference, referral, and loyalty. Being customer driven has both current and future components — understanding today's customer desires and anticipating future customer desires and marketplace offerings.

Value and satisfaction may be influenced by many factors throughout your customer's overall purchase, ownership, and service experiences. These factors include your organization's relationship with customers that helps build trust, confidence, and loyalty.

Being customer driven means much more than defect and error reduction, merely meeting specifications, or reducing complaints. Nevertheless, defect and error reduction and elimination of causes of dissatisfaction contribute to your customers' view of your organization and are thus also important parts of being customer driven. In addition, your organization's success in recovering from defects and mistakes ("making things right for your customer") is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements, but also address those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, rapid response, or special relationships.

Being customer driven is thus a strategic concept. It is directed toward customer retention, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements, and the factors that drive customer satisfaction and retention. It demands anticipating changes in the marketplace. Being customer driven thus demands awareness of developments in technology and competitors' offerings, and rapid and flexible response to customer and market requirements.

Organizational and Personal Learning

Achieving the highest levels of performance requires a well-executed approach to organizational and personal learning. Organizational and personal learning is a goal of visionary leaders. The term organizational learning refers to continuous improvement of existing approaches and processes and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. The term embedded means that learning: (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational

levels; (3) results in solving problems at their source; (4) is focused on sharing knowledge throughout your organization; and (5) is driven by opportunities to affect significant change and do better. Sources for learning include employee ideas, research and development (R&D), customer input, best practice sharing, and benchmarking.

Organizational learning can result in: (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and effectiveness in the use of all resources throughout your organization; and (6) enhancing your organization's performance in fulfilling its public responsibilities and service as a good citizen.

Employee success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employee personal learning through education, training, and opportunities for continuing growth. Opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs. Education and training programs may benefit from advanced technologies, such as computer-based learning and satellite broadcasts.

Personal learning can result in: (1) more satisfied and versatile employees; (2) greater opportunity for organizational cross-functional learning; and (3) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, and efficient — giving the organization and your employees marketplace sustainability and performance advantages.

Valuing Employees and Partners

An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its employees and partners.

Valuing employees means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high performance work practices tailored to employees with diverse workplace and home life needs. Major challenges in the area of valuing employees include: (1) demonstrating your leaders' commitment to your employees; (2) providing recognition opportunities that go beyond the normal compensation system; (3) providing opportunities for development and growth within your organization; (4) sharing your organization's knowledge so your employees can better serve your customers and

contribute to achieving your strategic objectives; and (5) creating an environment that encourages risk taking.

Organizations need to build internal and external partnerships to better accomplish overall goals.

Internal partnerships might include labor-management cooperation, such as agreements with your unions. Partnerships with employees might entail employee development, cross-training, or new work organizations, such as high performance work teams. Internal partnerships also might involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners, thereby enhancing overall capability, including speed and flexibility.

Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means of regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method of developing employees.

Agility

Success in globally competitive markets demands creating a capacity for rapid change and flexibility. All aspects of electronic commerce require more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for introductions of new or improved products and services. Faster and more flexible response to customers is now a more critical requirement. Major improvements in response time often require simplification of work units and processes and/or the ability for rapid changeover from one process to another. Cross-trained employees are vital assets in such a demanding environment.

A major success factor in meeting competitive challenges is the design-to-introduction (product generation) cycle time. To meet the demands of rapidly changing, global markets, organizations need to carry out stage-to-stage integration (concurrent engineering) of activities from research to commercialization.

All aspects of time performance are becoming increasingly important and should be among your key process measures. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

Focus on the Future

Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders — your customers, employees, suppliers, stockholders, the public, and your community. Your organization should anticipate many factors in your strategic planning efforts, such as customers' expectations, new business and partnering opportunities, the increasingly global marketplace, technological developments, new customer and market segments, evolving regulatory requirements, community/societal expectations, and strategic changes by competitors. Short- and long-term plans, strategic objectives, and resource allocations need to reflect these influences. Major components of a future focus include developing employees and suppliers, seeking opportunities for innovation, and fulfilling public responsibilities.

Managing for Innovation

Innovation is making meaningful change to improve an organization's products, services, and processes and create new value for the organization's stakeholders. Innovation should focus on leading your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments. Innovation is important for key product and service processes and for support processes. Organizations should be structured in such a way that innovation becomes part of the culture and daily work.

Management by Fact

Organizations depend upon the measurement and analysis of performance. Such measurements must derive from your organization's strategy and provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance measurement, management, and improvement. Performance measurement areas include: customer, product, and service; operations, market, and competitive comparisons; and supplier, employee, and cost and financial.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and operational improvement within your organization. Analysis entails using data to determine trends, projections, and cause and effect — that might not be evident without analysis. Data and analysis support a variety of purposes, such as planning, reviewing your overall performance, improving operations, and comparing your performance with competitors or with "best practices" benchmarks.

A major consideration in performance improvement involves the selection and use of performance measures or indicators. *The measures or indicators you select should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all activities with your organization's goals.* Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.

Public Responsibility and Citizenship

An organization's leadership needs to stress its responsibilities to the public and needs to practice good citizenship. These responsibilities refer to basic expectations of your organization — business ethics and protection of public health, safety, and the environment. Health, safety, and the environment include your organization's operations as well as the life cycles of your products and services. Also, organizations need to emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Plans should seek to prevent problems, to provide a forthright response if problems occur, and to make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production process and the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental demands and related factors.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, they should treat these and related requirements as opportunities for continuous improvement "beyond mere compliance." This requires the use of appropriate measures in managing performance.

Practicing good citizenship refers to leadership and support — within the limits of your organization's resources — of publicly important purposes. Such purposes might include improving education, health care in the community, environmental excellence, resource conservation, community service, industry and business practices, and sharing non-proprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, your organization could lead efforts to help define the obligations of your industry to its communities.

Focus on Results and Creating Value

An organization's performance measurements need to focus on key results. Results should be focused on creating and balancing value for all your stakeholders — customers, employees, stockholders, suppliers and partners, the public, and the community. By creating value for all your stakeholders, your organization builds loyalty and contributes to growing the economy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy needs to explicitly include all stakeholder requirements. This will help to ensure that actions and plans meet differing stakeholder needs and avoid adverse impacts on any stakeholders. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and longer-term priorities, to monitor actual performance, and to provide a focus for improving results.

Systems Perspective

The Baldrige Criteria provide a systems perspective for managing your organization and achieving performance excellence. The core values and the seven Baldrige Categories form the building blocks of the system. However, successful management of the overall enterprise requires synthesis and alignment. Synthesis means looking at your organization as a whole and focusing on what is important to the whole enterprise. Alignment means concentrating on key organizational linkages among requirements given in the Baldrige Categories.

Alignment is depicted through the Baldrige framework on page 6. Alignment means that your senior leaders are focused on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and build on your business results. Alignment means linking your key strategies with your key processes and aligning your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole enterprise, as well as its components, to achieve performance improvement.

Criteria for Performance Excellence Framework

The Core Values and Concepts are embodied in seven Categories, as follows:

1 Leadership
2 Strategic Planning
3 Customer and Market Focus
4 Information and Analysis
5 Human Resource Focus
6 Process Management
7 Business Results

The figure below provides the framework connecting and integrating the Categories.

From top to bottom, the framework has three basic elements:

Strategy and Action Plans

Strategy and Action Plans (top of figure) yield the set of customer and market focused performance requirements, derived from short- and long-term strategic planning, that must be met and exceeded for your organization's strategy to succeed. Strategy and Action Plans guide overall resource decisions and drive the alignment of measures for all work units to ensure customer satisfaction and market success.

System

The system is comprised of the six Baldrige Categories in the center of the figure that define the organization, its operations, and its results.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders must set organizational direction and seek future opportunities for your organization.

If your leadership does not focus on customers, your organization as a whole will lack that focus.

Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. Your organization's employees and its key processes accomplish the work of the organization that yields your business results.

All actions point toward Business Results — a composite of customer, financial, and operational performance results, including human resource results and public responsibility.

The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). Leaders must keep their eyes on business results and must learn from them to drive improvement.

Information and Analysis

Information and Analysis (Category 4) are critical to the effective management of your organization and to a fact-based system for improving performance and competitiveness. Information and analysis serve as a foundation for the performance management system.

Criteria Structure

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address:

Items

There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 9. The Item format is shown on page 47.

Areas to Address

Items consist of one or more Areas to Address (Areas). Organizations address their responses to the specific requirements of these Areas.

Baldrige Criteria for Performance Excellence Framework: A Systems Perspective

Customer and Market Focused
Strategy and Action Plans

2 Strategic Planning

5 Human Resource Focus

1 Leadership

7 Business Results

3 Customer and Market Focus

6 Process Management

4 Information and Analysis

KEY CHARACTERISTICS OF THE CRITERIA

1. The Criteria focus on business results.

The Criteria focus on the key areas of business performance, given below.

> **Business performance areas:**
>
> (1) customer focused results;
> (2) financial and market results;
> (3) human resource results;
> (4) supplier and partner results; and
> (5) organizational effectiveness results.

The use of this composite of indicators is intended to ensure that strategies are balanced — that they do not inappropriately trade off among important stakeholders, objectives, or short- and long-term goals.

2. The Criteria are non-prescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe:

- specific tools, techniques, technologies, systems, measures, or starting points;

- that your organization should or should not have departments for quality, planning, or other functions;

- how your organization should be structured; or

- that different units in your organization should be managed in the same way.

These factors are important and are likely to change as needs and strategies evolve. Hence, the Criteria do emphasize that such factors be evaluated as part of your organization's performance reviews.

The Criteria are non-prescriptive because:

(1) The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and *demonstrate* creative, adaptive, and flexible approaches for meeting basic requirements. Non-prescriptive requirements are intended to foster incremental and major ("breakthrough") improvements as well as basic change.

(2) Selection of tools, techniques, systems, and organizational structure usually depends upon factors such as business type and size, your organization's stage of development, and employee capabilities and responsibilities.

(3) Focus on common requirements, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

3. The Criteria support a systems perspective to maintaining organization-wide goal alignment.

The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Criteria, and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from your organization's strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision making, or process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralized decision making.

A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

(1) planning, including design of processes, selection of measures, and deployment of requirements;

(2) execution of plans;

(3) assessment of progress, taking into account internal and external results; and

(4) revision of plans based upon assessment findings, learning, new inputs, and new requirements.

4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions — Approach, Deployment, and Results — and the key factors used to assess against each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 basic requirements. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described in the shaded box above. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

CHANGES FROM THE 1999 CRITERIA FOR PERFORMANCE EXCELLENCE

The Criteria for Performance Excellence have evolved significantly over the last several years toward comprehensive coverage of strategy-driven performance, addressing the needs of all stakeholders — customers, employees, stockholders, suppliers and partners, and the public. During this period of time, other sections of the Criteria booklet have not fully kept pace with the evolving Criteria. For 2000, there are no changes to the Criteria Item requirements; revisions have been made in other important sections of the Criteria booklet.

The most significant changes in the Criteria booklet are summarized as follows:

- The Core Values and Concepts have been revised.

- The Glossary of Key Terms has been revised and expanded.

- The Category and Item Descriptions have been rewritten and reformatted.

- The Scoring Guidelines have been revised for Approach/Deployment Items.

- The Guidelines for Responding to Approach/ Deployment Items have been modified to explain the desired responses for questions that begin with *How* and for questions that begin with *What*.

Changes have been made throughout the Criteria booklet. A more detailed explanation of the most significant changes are:

Core Values and Concepts

- Many of the Core Values and Concepts have been changed to better align with the foundation for the current Criteria. The number of Core Values and Concepts remains constant at 11.

- The following Core Values and Concepts have replaced the indicated Core Values and Concepts: *Visionary Leadership* replaces Leadership, *Customer Driven* replaces Customer-Driven Quality, *Organizational and Personal Learning* replaces Continuous Improvement and Learning, *Valuing Employees and Partners* replaces Valuing Employees, *Agility* replaces Fast Response, *Focus on the Future* replaces Long-Range View of the Future, and *Focus on Results and Creating Value* replaces Results Focus. The new Core Values and Concepts are intended to provide a more holistic and current view of organizational performance excellence.

- Two of the 1999 Core Values and Concepts, Design Quality and Prevention and Partnership Development, have been incorporated into the new Core Values and Concepts.

- Two new Core Values and Concepts have been added to underpin the current Criteria: *Managing for Innovation* and *Systems Perspective*.

- Two 1999 Core Values and Concepts remain: *Management by Fact* and *Public Responsibility and Citizenship*.

Glossary of Key Terms

- The following key terms have been added to the Glossary: Analysis, Approach, Deployment, Empowerment, Results, Strategic Objectives, and Systematic. All of these terms have very specific meanings in the Baldrige context.

Category and Item Descriptions

- Each Item Description now has three parts: *Purpose*, *Requirements*, and *Comments*. This three-part presentation is intended to better aid the understanding of the Criteria Items. *Purpose* tells you what the Item is examining and why. *Requirements* summarizes the key Item requirements. *Comments* provides additional explanation and examples of how you might address the Item requirements.

Scoring Guidelines

- The word *effective* replaces the word *sound* for Approach/Deployment Items in the Scoring Guidelines. *Effective* relates to producing the desired result and to appropriateness for intended use. *Effective* is a better term in the context of a Baldrige assessment.

2000 Categories/Items	Point Values
1 Leadership	**125**
1.1 Organizational Leadership	85
1.2 Public Responsibility and Citizenship	40
2 Strategic Planning	**85**
2.1 Strategy Development	40
2.2 Strategy Deployment	45
3 Customer and Market Focus	**85**
3.1 Customer and Market Knowledge	40
3.2 Customer Satisfaction and Relationships	45
4 Information and Analysis	**85**
4.1 Measurement of Organizational Performance	40
4.2 Analysis of Organizational Performance	45
5 Human Resource Focus	**85**
5.1 Work Systems	35
5.2 Employee Education, Training, and Development	25
5.3 Employee Well-Being and Satisfaction	25
6 Process Management	**85**
6.1 Product and Service Processes	55
6.2 Support Processes	15
6.3 Supplier and Partnering Processes	15
7 Business Results	**450**
7.1 Customer Focused Results	115
7.2 Financial and Market Results	115
7.3 Human Resource Results	80
7.4 Supplier and Partner Results	25
7.5 Organizational Effectiveness Results	115
TOTAL POINTS	**1000**

Note: The Scoring System used with the Criteria Items in a Baldrige assessment can be found on pages 44-45.

1 Leadership (125 pts.)

The **_Leadership_** Category examines how your organization's senior leaders address values and performance expectations, as well as a focus on customers and other stakeholders, empowerment, innovation, learning, and organizational directions. Also examined is how your organization addresses its responsibilities to the public and supports its key communities.

1.1 Organizational Leadership (85 pts.)

Approach - Deployment

Describe how senior leaders guide your organization and review organizational performance.

Within your response, include answers to the following questions:

a. Senior Leadership Direction
   (1) How do senior leaders set, communicate, and deploy organizational values, performance expectations, and a focus on creating and balancing value for customers and other stakeholders? Include communication and deployment through your leadership structure and to all employees.

   (2) How do senior leaders establish and reinforce an environment for empowerment and innovation, and encourage and support organizational and employee learning?

   (3) How do senior leaders set directions and seek future opportunities for your organization?

b. Organizational Performance Review
   (1) How do senior leaders review organizational performance and capabilities to assess organizational health, competitive performance, and progress relative to performance goals and changing organizational needs? Include the key performance measures regularly reviewed by your senior leaders.

   (2) How do you translate organizational performance review findings into priorities for improvement and opportunities for innovation?

   (3) What are your key recent performance review findings, priorities for improvement, and opportunities for innovation? How are they deployed throughout your organization and, as appropriate, to your suppliers/partners and key customers to ensure organizational alignment?

   (4) How do senior leaders use organizational performance review findings and employee feedback to improve their leadership effectiveness and the effectiveness of management throughout the organization?

Note:

Your organizational performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.

Item notes serve three purposes: (1) clarify terms or requirements presented in Criteria Items; (2) give instructions on responding to the Criteria Item requirements; or (3) indicate key linkages to other Items. In all cases, the intent is to help you respond to the Criteria Item requirements.

Item responses are assessed by considering the Criteria Item requirements and the maturity of your approaches, breadth of deployment, and strength of your improvement process and results relative to the Scoring System. Refer to the Scoring System information on pages 44-45.

For definitions of the following **key terms**, see pages 27-29: alignment, approach, deployment, empowerment, innovation, measures, performance, and value.

For additional description of this Item, see page 30.

1.2 Public Responsibility and Citizenship (40 pts.)

Describe how your organization addresses its responsibilities to the public and how your organization practices good citizenship.

Within your response, include answers to the following questions:

a. Responsibilities to the Public

   (1) How do you address the impacts on society of your products, services, and operations? Include your key practices, measures, and targets for regulatory and legal requirements and for risks associated with your products, services, and operations.

   (2) How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner?

   (3) How do you ensure ethical business practices in all stakeholder transactions and interactions?

b. Support of Key Communities

   How do your organization, your senior leaders, and your employees actively support and strengthen your key communities? Include how you identify key communities and determine areas of emphasis for organizational involvement and support.

Notes:

N1. Public responsibilities in areas critical to your business also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory/legal compliance or environmental improvements through use of "green" technology or other means, should be reported as Organizational Effectiveness Results (Item 7.5).

N2. Areas of community support appropriate for inclusion in 1.2b might include your efforts to strengthen local community services, education, the environment, and practices of trade, business, or professional associations.

N3. Health and safety of employees are not addressed in Item 1.2; you should address these factors in Item 5.3.

2 Strategic Planning (85 pts.)

The **Strategic Planning** Category examines your organization's strategy development process, including how your organization develops strategic objectives, action plans, and related human resource plans. Also examined are how plans are deployed and how performance is tracked.

2.1 Strategy Development (40 pts.)

Approach - Deployment

Describe your organization's strategy development process to strengthen organizational performance and competitive position. Summarize your key strategic objectives.

Within your response, include answers to the following questions:

a. Strategy Development Process

    (1) What is your strategic planning process? Include key steps and key participants in the process.

    (2) How do you consider the following key factors in your process? Include how relevant data and information are gathered and analyzed.

        The factors are:
- customer and market needs/expectations, including new product/service opportunities
- your competitive environment and capabilities, including use of new technology
- financial, societal, and other potential risks
- your human resource capabilities and needs
- your operational capabilities and needs, including resource availability
- your supplier and/or partner capabilities and needs

b. Strategic Objectives

    What are your key strategic objectives and your timetable for accomplishing them? In setting objectives, how do you evaluate options to assess how well they respond to the factors in 2.1a(2) most important to your performance?

Notes:

N1. Strategy development refers to your organization's approach (formal or informal) to a future-oriented basis for business decisions, resource allocations, and management. Such development might utilize various types of forecasts, projections, options, scenarios, and/or other approaches to addressing the future.

N2. You should interpret the word strategy broadly. Strategy might be built around or lead to any or all of the following: new products, services, and markets; revenue growth; cost reduction; business acquisitions; and new partnerships and alliances. Strategy might be directed toward becoming a preferred supplier, a low-cost producer, a market innovator, and/or a high-end or customized service provider.

Strategy might depend upon or require you to develop different kinds of capabilities, such as rapid response, customization, market understanding, lean or virtual manufacturing, relationships, rapid innovation, technology management, leveraging assets, business process excellence, and information management. Responses to Item 2.1 should address the key factors from your point of view.

N3. Item 2.1 addresses your overall organizational directions and strategy that might include changes in services, products, and/or product lines. However, the Item does not address product and service design; you should address these factors in Item 6.1.

For definitions of the following **key terms**, see pages 28-29: process and strategic objectives.

For additional description of this Item, see pages 31-32.

Describe your organization's strategy deployment process. Summarize your organization's action plans and related performance measures. Project the performance of these key measures into the future.

Within your response, include answers to the following questions:

a. Action Plan Development and Deployment
   (1) How do you develop action plans that address your key strategic objectives? What are your key short- and longer-term action plans? Include key changes, if any, in your products/services and/or your customers/markets.

   (2) What are your key human resource requirements and plans, based on your strategic objectives and action plans?

   (3) How do you allocate resources to ensure accomplishment of your overall action plan?

   (4) What are your key performance measures and/or indicators for tracking progress relative to your action plans?

   (5) How do you communicate and deploy your strategic objectives, action plans, and performance measures/indicators to achieve overall organizational alignment?

b. Performance Projection
   (1) What are your two-to-five year projections for key performance measures and/or indicators? Include key performance targets and/or goals, as appropriate.

   (2) How does your projected performance compare with competitors, key benchmarks, and past performance, as appropriate? What is the basis for these comparisons?

Notes:

N1. Action plan development and deployment are closely linked to other Items in the Criteria and to the performance excellence framework on page 6. Examples of key linkages are:
- Item 1.1 for how your senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to your strategy and action plans, and for deploying action plans;
- Category 4 for information and analysis to support your development of strategy, to provide an effective performance basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;

- Category 5 for your work system needs, employee education, training, and development needs, and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting from your action plans; and
- Item 7.5 for accomplishments relative to your organizational strategy.

N2. Measures and/or indicators of projected performance (2.2b) might include changes resulting from new business ventures, business acquisitions, new value creation, market entry and/or shifts, and/or significant anticipated innovations in products, services, and/or technology.

For definitions of the following **key terms**, see pages 27-28: action plans, measures and indicators.

For additional description of this Item, see pages 32-33.

3 | Customer and Market Focus (85 pts.)

The ***Customer and Market Focus*** Category examines how your organization determines requirements, expectations, and preferences of customers and markets. Also examined is how your organization builds relationships with customers and determines their satisfaction.

3.1 Customer and Market Knowledge (40 pts.)   Approach - Deployment

Describe how your organization determines short- and longer-term requirements, expectations, and preferences of customers and markets to ensure the relevance of current products/services and to develop new opportunities.

Within your response, include answers to the following questions:

a. Customer and Market Knowledge

  (1) How do you determine or target customers, customer groups, and/or market segments? How do you consider customers of competitors and other potential customers and/or markets in this determination?

  (2) How do you listen and learn to determine key requirements and drivers of purchase decisions for current, former, and potential customers? If determination methods differ for different customers and/or customer groups, include the key differences.

  (3) How do you determine and/or project key product/service features and their relative importance/value to customers for purposes of current and future marketing, product planning, and other business developments, as appropriate? How do you use relevant information from current and former customers, including marketing/sales information, customer retention, won/lost analysis, and complaints, in this determination?

  (4) How do you keep your listening and learning methods current with business needs and directions?

Notes:

N1. If your products and services are sold to end users via other businesses such as retail stores or dealers, customer groups [3.1a(1)] should include both the end users and these intermediate businesses.

N2. Product and service features [3.1a(3)] refer to all important characteristics and to the performance of your products and services throughout their full life cycle and the full "consumption chain." The focus should be on features that bear upon customer preference and repurchase loyalty — for example, those features that differentiate your products and services from competing offerings. Those features might include factors such as price, value, delivery, customer or technical support, and the sales relationship.

3.2 Customer Satisfaction and Relationships (45 pts.)

Describe how your organization determines the satisfaction of customers and builds relationships to retain current business and to develop new opportunities.

Within your response, include answers to the following questions:

a. Customer Relationships

    (1) How do you determine key access mechanisms to facilitate the ability of customers to conduct business, seek assistance and information, and make complaints? Include a summary of your key mechanisms.

    (2) How do you determine key customer contact requirements and deploy these requirements to all employees involved in the response chain?

    (3) What is your complaint management process? Include how you ensure that complaints are resolved effectively and promptly, and that all complaints received are aggregated and analyzed for use in overall organizational improvement.

    (4) How do you build relationships with customers for repeat business and/or positive referral?

    (5) How do you keep your approaches to customer access and relationships current with business needs and directions?

b. Customer Satisfaction Determination

    (1) What processes, measurement methods, and data do you use to determine customer satisfaction and dissatisfaction? Include how your measurements capture actionable information that reflects customers' future business and/or potential for positive referral. Also include any significant differences in processes or methods for different customer groups and/or market segments.

    (2) How do you follow up with customers on products/services and recent transactions to receive prompt and actionable feedback?

    (3) How do you obtain and use information on customer satisfaction relative to competitors and/or benchmarks, as appropriate?

    (4) How do you keep your approaches to satisfaction determination current with business needs and directions?

Notes:

N1. Customer relationships (3.2a) might include the development of partnerships or alliances.

N2. Customer satisfaction and dissatisfaction determination (3.2b) might include any or all of the following: surveys, formal and informal feedback from customers, use of customer account data, and complaints.

N3. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide reliable information about customer ratings of your specific product, service, and relationship features, the linkage between these ratings, and your customer's likely future actions — repurchase and/or positive referral. Product and service features might include overall value and price.

N4. Your customer satisfaction and dissatisfaction results and information on product/service measures that contribute to customer satisfaction or dissatisfaction should be reported in Item 7.1. These latter measures might include trends and levels in performance of customer-desired product features or customer complaint handling effectiveness (such as complaint response time, effective resolution, and percent of complaints resolved on first contact).

4 Information and Analysis (85 pts.)

The ***Information and Analysis*** Category examines your organization's performance measurement system and how your organization analyzes performance data and information.

4.1 Measurement of Organizational Performance (40 pts.)   `Approach - Deployment`

Describe how your organization provides effective performance measurement systems for under-standing, aligning, and improving performance at all levels and in all parts of your organization.

Within your response, include answers to the following questions:

a. Measurement of Organizational Performance

  (1) How do you address the major components of an effective performance measurement system, including the following key factors?

- selection of measures/indicators, and extent and effectiveness of their use in daily operations
- selection and integration of measures/indicators and completeness of data to track your overall organizational performance
- selection, and extent and effectiveness of use of key comparative data and information
- data and information reliability
- a cost/financial understanding of improvement options
- correlations/projections of data to support planning

  (2) How do you keep your performance measurement system current with business needs and directions?

Notes:

N1. The term information and analysis refers to the key metrics used by your organization to measure and analyze performance. Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at your work unit, key process, departmental, and whole organization levels.

N2. Deployment of data and information might be via electronic or other means. Reliability [4.1a(1)] includes reliability of software and delivery systems.

N3. Comparative data and information include benchmarking and competitive comparisons. Benchmarking refers to processes and results that represent best practices and performance for similar activities, inside or outside your organization's industry. Competitive comparisons refer to performance relative to competitors in your organization's markets.

4.2 Analysis of Organizational Performance (45 pts.)

Describe how your organization analyzes performance data and information to assess and understand overall organizational performance.

Within your response, include answers to the following questions:

a. Analysis of Organizational Performance

(1) How do you perform analyses to support your senior executives' organizational performance review and your organizational planning? How do you ensure that the analyses address the overall health of your organization, including your key business results and strategic objectives?

(2) How do you ensure that the results of organizational-level analysis are linked to work group and/or functional-level operations to enable effective support for decision making?

(3) How does analysis support daily operations throughout your organization? Include how this analysis ensures that measures align with action plans.

Notes:

N1. Analysis includes trends, projections, comparisons, and cause-effect correlations intended to support your performance reviews and the setting of priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, financial and market, operational, and competitive.

N2. Your performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.

For a definition of the following **key term**, see page 27: analysis.

For additional description of this Item, see pages 35-36.

5 Human Resource Focus (85 pts.)

The **_Human Resource Focus_** Category examines how your organization enables employees to develop and utilize their full potential, aligned with the organization's objectives. Also examined are your organization's efforts to build and maintain a work environment and an employee support climate conducive to performance excellence, full participation, and personal and organizational growth.

5.1 Work Systems (35 pts.)

Approach - Deployment

Describe how your organization's work and job design, compensation, career progression, and related work force practices enable employees to achieve high performance in your operations.

Within your response, include answers to the following questions:

a. Work Systems

(1) How do you design, organize, and manage work and jobs to promote cooperation and collaboration, individual initiative, innovation, and flexibility, and to keep current with business needs?

(2) How do your managers and supervisors encourage and motivate employees to develop and utilize their full potential? Include formal and/or informal mechanisms you use to encourage and support employees in job- and career-related development/learning objectives.

(3) How does your employee performance management system, including feedback to employees, support high performance?

(4) How do your compensation, recognition, and related reward/incentive practices reinforce high performance?

(5) How do you ensure effective communication, cooperation, and knowledge/skill sharing across work units, functions, and locations, as appropriate?

(6) How do you identify characteristics and skills needed by potential employees; how do you recruit and hire new employees? How do you take into account key performance requirements, diversity of your community, and fair work force practices?

Notes:

N1. The term employees refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include managers and supervisors at all levels. You should address contract employees supervised by a contractor in Item 6.3.

N2. The term work design refers to how your employees are organized and/or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, customer action teams, problem-solving teams, centers of excellence, functional units, cross-functional teams, and departments — self-managed or managed by supervisors.

The term job design refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team, based upon cross-training.

N3. Compensation and recognition include promotions and bonuses that might be based upon performance, skills acquired, and other factors. Recognition includes monetary and nonmonetary, formal and informal, and individual and group recognition.

For a definition of the following **key term**, see pages 27-28: high performance work.

For additional description of this Item, see pages 36-37.

5.2 Employee Education, Training, and Development (25 pts.)   `Approach - Deployment`

Describe how your organization's education and training support the achievement of your business objectives, build employee knowledge, skills, and capabilities, and contribute to improved employee performance.

Within your response, include answers to the following questions:

a. Employee Education, Training, and Development
  (1) How does your education and training approach balance short- and longer-term organizational and employee needs, including development, learning, and career progression?

  (2) How do you design education and training to keep current with business and individual needs? Include how job and organizational performance are used in education and training design and evaluation.

  (3) How do you seek and use input from employees and their supervisors/managers on education and training needs, expectations, and design?

  (4) How do you deliver and evaluate education and training? Include formal and informal education, training, and learning, as appropriate.

  (5) How do you address key developmental and training needs, including diversity training, management/leadership development, new employee orientation, and safety, as appropriate?

  (6) How do you address performance excellence in your education and training? Include how employees learn to use performance measurements, performance standards, skill standards, performance improvement, quality control methods, and benchmarking, as appropriate.

  (7) How do you reinforce knowledge and skills on the job?

Note:

Education and training delivery [5.2a(4)] might occur inside or outside your organization and involve on-the-job, classroom, computer-based, distance learning, and/or other types of delivery (formal or informal).

5.3 Employee Well-Being and Satisfaction (25 pts.)

Describe how your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.

Within your response, include answers to the following questions:

a. Work Environment

How do you address and improve workplace health, safety, and ergonomic factors? How do employees take part in identifying these factors and in improving workplace safety? Include performance measures and/or targets for each key environmental factor. Also include significant differences, if any, based on different work environments for employee groups and/or work units.

b. Employee Support Climate

(1) How do you enhance your employees' work climate via services, benefits, and policies? How are these enhancements selected and tailored to the needs of different categories and types of employees, and to individuals, as appropriate?

(2) How does your work climate consider and support the needs of a diverse work force?

c. Employee Satisfaction

(1) How do you determine the key factors that affect employee well-being, satisfaction, and motivation?

(2) What formal and/or informal assessment methods and measures do you use to determine employee well-being, satisfaction, and motivation? How do you tailor these methods and measures to a diverse work force and to different categories and types of employees? How do you use other indicators such as employee turnover, absenteeism, grievances, and productivity to assess and improve employee well-being, satisfaction, and motivation?

(3) How do you relate assessment findings to key business results to identify work environment and employee support climate improvement priorities?

Notes:

N1. Approaches for enhancing your employees' work climate [5.3b(1)] might include: counseling; career development and employability services; recreational or cultural activities; non-work-related education; day care; job rotation and/or sharing; special leave for family responsibilities and/or for community service; home safety training; flexible work hours; outplacement; and retiree benefits (including extended health care).

N2. Specific factors that might affect your employees' well-being, satisfaction, and motivation [5.3c(1)] include: effective employee problem or grievance resolution; safety factors; employee views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; work environment and other work conditions; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; and equal opportunity.

N3. Measures and/or indicators of well-being, satisfaction, and motivation [5.3c(2)] might include: safety; absenteeism; turnover; turnover rate for customer contact employees; grievances; strikes; other job actions; insurance costs; worker's compensation claims; and results of surveys. Your results relative to such measures and/or indicators should be reported in Item 7.3.

N4. Priority setting [5.3c(3)] might draw upon your human resource results presented in Item 7.3 and might involve addressing employee problems based on their impact on your organizational performance.

6 Process Management (85 pts.)

The **Process Management** Category examines the key aspects of your organization's process management, including customer-focused design, product and service delivery, support, and supplier and partnering processes involving all work units.

6.1 Product and Service Processes (55 pts.)

Approach - Deployment

Describe how your organization manages key product and service design and delivery processes.

Within your response, include answers to the following questions:

a. Design Processes

(1) What are your design processes for products/services and their related production/delivery processes?

(2) How do you incorporate changing customer/market requirements into product/service designs and production/delivery systems and processes?

(3) How do you incorporate new technology into products/services and into production/delivery systems and processes, as appropriate?

(4) How do your design processes address design quality and cycle time, transfer of learning from past projects and other parts of the organization, cost control, new design technology, productivity, and other efficiency/effectiveness factors?

(5) How do you ensure that your production/delivery process design accommodates all key operational performance requirements?

(6) How do you coordinate and test design and production/delivery processes to ensure capability for trouble-free and timely introduction of products/services?

b. Production/Delivery Processes

(1) What are your key production/delivery processes and their key performance requirements?

(2) How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?

(3) What are your key performance measures and/or indicators used for the control and improvement of these processes? Include how real-time customer input is sought, as appropriate.

(4) How do you improve your production/delivery processes to achieve better process performance and improvements to products/services, as appropriate? How are improvements shared with other organizational units and processes, as appropriate?

Notes:

N1. Product and service design, production, and delivery differ greatly among organizations, depending upon many factors. These factors include the nature of your products and services, technology requirements, issues of modularity and parts commonality, customer and supplier relationships and involvement, and product and service customization. Responses to Item 6.1 should address the most critical requirements for your business.

N2. Responses to Item 6.1 should include how your customers and key suppliers and partners are involved in your design processes, as appropriate.

N3. Your results of operational improvements in product and service design and delivery processes should be reported in Item 7.5. Your results of improvements in product and service performance should be reported in Item 7.1.

For definitions of the following **key terms**, see pages 27-29: cycle time and productivity.

For additional description of this Item, see pages 39-40.

6.2 Support Processes (15 pts.)

Describe how your organization manages its key support processes.

Within your response, include answers to the following questions:

a. Support Processes

(1) What are your key support processes?

(2) How do you determine key support process requirements, incorporating input from internal and/or external customers, as appropriate? What are the key operational requirements (such as productivity and cycle time) for the processes?

(3) How do you design these processes to meet all the key requirements?

(4) How does your day-to-day operation of key support processes ensure meeting key performance requirements? How do you determine and use in-process measures and/or customer feedback in your support processes?

(5) How do you improve your support processes to achieve better performance and to keep them current with business needs and directions, as appropriate? How are improvements shared with other organizational units and processes, as appropriate?

Notes:

N1. Your support processes are those that support your organization's products/services design and delivery processes, and business operations. This might include information and knowledge management, finance and accounting, facilities management, research and development, administration, and sales/marketing. The key support processes to be included in Item 6.2 are unique to your organization and how you operate. Focus should be on your most important processes not addressed in Items 6.1 and 6.3.

N2. Your results of improvements in key support processes and key support process performance results should be reported in Item 7.5.

6.3 Supplier and Partnering Processes (15 pts.)

Describe how your organization manages its key supplier and/or partnering interactions and processes.

Within your response, include answers to the following questions:

a. Supplier and Partnering Processes

   (1) What key products/services do you purchase from suppliers and/or partners?

   (2) How do you incorporate performance requirements into supplier and/or partner process management? What key performance requirements must your suppliers and/or partners meet to fulfill your overall requirements?

   (3) How do you ensure that your performance requirements are met? How do you provide timely and actionable feedback to suppliers and/or partners? Include the key performance measures and/or indicators and any targets you use for supplier and/or partner assessment.

   (4) How do you minimize overall costs associated with inspections, tests, and process and/or performance audits?

   (5) How do you provide business assistance and/or incentives to suppliers and/or partners to help them improve their overall performance and to improve their abilities to contribute to your current and longer-term performance?

   (6) How do you improve your supplier and/or partner processes, including your role as supportive customer/ partner, to keep current with your business needs and directions? How are improvements shared throughout your organization, as appropriate?

Notes:

N1. The term supplier refers to other organizations and to units of your parent organization that provide you with goods and services.

N2. Your supplier and partnering processes might include processes for supply chain improvement and optimization, beyond your direct suppliers and partners.

N3. If your organization selects preferred suppliers and/or partners based upon volume of business or criticality of their supplied products and/or services, include your selection criteria in the response.

N4. Your results of improvements in supplier and partnering processes and supplier/partner performance results should be reported in Item 7.4.

7 | Business Results (450 pts.)

The **_Business Results_** Category examines your organization's performance and improvement in key business areas — customer satisfaction, product and service performance, financial and marketplace performance, human resource results, supplier and partner results, and operational performance. Also examined are performance levels relative to competitors.

7.1 Customer Focused Results (115 pts.)

Summarize your organization's customer focused results, including customer satisfaction and product and service performance results. Segment your results by customer groups and market segments, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Customer Focused Results
   (1) What are your current levels and trends in key measures and/or indicators of customer satisfaction, dissatisfaction, and satisfaction relative to competitors?

   (2) What are your current levels and trends in key measures and/or indicators of customer loyalty, positive referral, customer-perceived value, and/or customer relationship building, as appropriate?

   (3) What are your current levels and trends in key measures and/or indicators of product and service performance?

Notes:

N1. Customer satisfaction and dissatisfaction results reported in this Item should relate to determination methods and data described in Item 3.2.

N2. Measures and/or indicators of customer satisfaction relative to competitors might include objective information and data from your customers and from independent organizations.

For a definition of the following **key term**, see page 29: results.

For additional description of this Item, see pages 41-42.

N3. Comparative performance of your products and services and product/service performance measures that serve as indicators of customer satisfaction should be included in 7.1a(3).

N4. The combination of direct customer measures/indicators in 7.1a(1) and 7.1a(2) with product and service performance measures/indicators in 7.1a(3) provides an opportunity to determine cause and effect relationships between your product/service attributes and evidence of customer satisfaction, loyalty, positive referral, etc.

7.2 Financial and Market Results (115 pts.)

Summarize your organization's key financial and marketplace performance results, segmented by market segments, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Financial and Market Results
   (1) What are your current levels and trends in key measures and/or indicators of financial performance, including aggregate measures of financial return and/or economic value, as appropriate?

   (2) What are your current levels and trends in key measures and/or indicators of marketplace performance, including market share/position, business growth, and new markets entered, as appropriate?

Note:

Aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by market/customer segment, liquidity, debt to equity ratio, value added per employee, and financial activity measures are appropriate for responding to 7.2a(1).

For additional description of this Item, see page 42.

7.3 Human Resource Results (80 pts.)

Summarize your organization's human resource results, including employee well-being, satisfaction, development, and work system performance. Segment your results by types and categories of employees, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Human Resource Results
   (1) What are your current levels and trends in key measures and/or indicators of employee well-being, satisfaction and dissatisfaction, and development?

   (2) What are your current levels and trends in key measures and/or indicators of work system performance and effectiveness?

Notes:

N1. Results reported in this Item should relate to activities described in Category 5. Your results should be responsive to key process needs described in Category 6, and your organization's action plans and related human resource plans described in Item 2.2.

N2. For appropriate measures of employee well-being and satisfaction, see Notes to Item 5.3. Appropriate measures and/or indicators of employee development might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training.

N3. Appropriate measures and/or indicators of work system performance and effectiveness might include job and job classification simplification, job rotation, work layout, and changing supervisory ratios.

7.4 Supplier and Partner Results (25 pts.)

Summarize your organization's key supplier and partner results. Include appropriate comparative data.

Provide data and information to answer the following question:

a. Supplier and Partner Results
   What are your current levels and trends in key measures and/or indicators of supplier and partner performance? Include your performance and/or cost improvements resulting from supplier and partner performance and performance management.

Note:

Results reported in this Item should relate directly to processes and performance requirements described in Item 6.3.

7.5 Organizational Effectiveness Results (115 pts.)

Summarize your organization's key operational performance results that contribute to the achievement of organizational effectiveness. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Organizational Effectiveness Results

   (1) What are your current levels and trends in key measures and/or indicators of key design, production, delivery, and support process performance? Include productivity, cycle time, and other appropriate measures of effectiveness and efficiency.

   (2) What are your results for key measures and/or indicators of regulatory/legal compliance and citizenship? What are your results for key measures and/or indicators of accomplishment of organizational strategy?

Notes:

N1. Results reported in Item 7.5 should address your key organizational requirements and progress toward accomplishment of your key organizational performance goals as presented in the Business Overview, and in Items 1.1, 2.2, 6.1, and 6.2. Include results not reported in Items 7.1, 7.2, 7.3, and 7.4.

N2. Results reported in Item 7.5 should provide key information for analysis (Item 4.2) and review (Item 1.1)

of your organizational operational performance and should provide the operational basis for customer results (Item 7.1) and financial and market results (Item 7.2).

N3. Regulatory/legal compliance results reported in Item 7.5 should address requirements described in Item 1.2.

GLOSSARY OF KEY TERMS

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management.

Action Plans

Action plans refer to principal organizational-level drivers, derived from short- and long-term strategic planning. In simplest terms, action plans are set to accomplish those things your organization should do well for your strategy to succeed. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective organization-wide understanding and deployment are possible. Deployment of action plans requires analysis of overall resource needs and creation of aligned measures for all work units. Deployment might also require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans could entail design of efficient processes and creation of a cost accounting system, aligned for the organization as a whole. Performance requirements might include unit and/or team training in priority setting based upon costs and benefits. Organizational-level analysis and review could emphasize overall productivity growth.

Alignment

Alignment refers to consistency of plans, processes, information, resource decisions, actions, results, analysis, and learning to support key organization-wide goals. Effective alignment requires common understanding of purposes and goals and use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level; the key process level; and the work unit level.

Analysis

Analysis refers to assessments performed by an organization or its work units to provide a basis for effective decisions. Overall organizational analysis guides process management toward achieving key business results and toward attaining strategic objectives.

Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Actions depend upon understanding cause/effect relationships. Understanding such relationships comes from analysis of facts and data.

Approach

Approach refers to how an organization addresses the Baldrige Criteria Item requirements — the methods and processes used by the organization. Approaches are evaluated on the basis of the appropriateness of the approach to the Item requirements; effectiveness of use of the approach; and alignment with organizational needs. For further description, see the Scoring System on page 44.

Cycle Time

Cycle time refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. In the Criteria booklet, cycle time refers to all aspects of time performance. Cycle time improvement could include time to market, order fulfillment time, delivery time, change-over time, and other key process times.

Deployment

Deployment refers to the extent to which an organization's approach is applied to the requirements of a Baldrige Criteria Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach throughout the organization. For further description, see the Scoring System on page 44.

Empowerment

Empowerment refers to giving employees the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the "front line," where work-related knowledge and understanding reside.

Empowerment is aimed at enabling employees to satisfy customers on first contact, to improve processes and increase productivity, and to better the organization's business results. Empowered employees require information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

High Performance Work

High performance work refers to work approaches used to *systematically* pursue ever higher levels of overall organizational and human performance, including quality, productivity, innovation rate, and time performance. High performance work results in improved service for customers and other stakeholders.

Approaches to high performance work vary in form, function, and incentive systems. Effective approaches frequently include: cooperation between management and the work force, including work force bargaining units; cooperation among work units, often involving teams; self-directed responsibility/employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the "front line"; and effective use of performance measures, including comparisons. Many high performance work systems use monetary and non-monetary incentives based upon factors such as organizational performance, team and/or individual contributions, and skill building. Also, high performance work approaches usually seek to align the design of organizations, work, jobs, employee development, and incentives.

Innovation

Innovation refers to making meaningful change to improve products, services, and/or processes and create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, or product that is considered new or new to its proposed application.

Successful organizational innovation is a multi-step process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from breakthrough improvement and/or change.

Measures and Indicators

Measures and indicators refer to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator: (1) when the measurement relates to performance, but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction, but not a direct measure of it); and (2) when the measurement is a predictor ("leading indicator") of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

Performance

Performance refers to output results obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in nonfinancial and financial terms.

The Criteria booklet addresses three types of performance: (1) customer focused, including key product and service performance; (2) financial and marketplace; and (3) operational.

Customer focused performance refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors, and to measures and indicators of product and service characteristics important to customers. Examples include customer retention, complaints, customer survey results, product reliability, on-time delivery, defect levels, and service response time.

Financial and marketplace performance refers to performance using measures of cost and revenue, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt to equity ratio, returns on assets, operating margins, cash-to-cash cycle time, and other profitability and liquidity measures.

Operational performance refers to organizational, human resource, and supplier performance relative to effectiveness and efficiency measures and indicators. Examples include cycle time, productivity, waste reduction, and regulatory compliance. Operational performance might be measured at the work unit level, key process level, and organizational level.

Process

Process refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way — to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Service

processes involving customers also require guidance to the providers of those services on handling contingencies related to customers' likely or possible actions or behaviors.

In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

Productivity

Productivity refers to measures of efficiency of the use of resources.

Although the term is often applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether or not the net effect of overall changes in a process — possibly involving resource tradeoffs — is beneficial.

Results

Results refer to outcomes achieved by an organization in addressing the purposes of a Baldrige Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; rate, breadth, and importance of performance improvements; and relationship of results measures to key organizational performance requirements. For further description, see the Scoring System on page 44.

Strategic Objectives

Strategic objectives refer to an organization's major change opportunities and/or the fundamental challenges the organization faces. Strategic objectives are generally externally focused, relating to significant customer, market, product/service, or technological opportunities and challenges. Broadly stated, they are what an organization must change or improve to remain or become competitive. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

See the definition of *action plans* on page 27 for the relationship between strategic objectives and action plans and for an example of each.

Systematic

Systematic refers to approaches that are repeatable and use data and information so that improvement and learning are possible. In other words, approaches are systematic if they build in the opportunity for evaluation and learning, and thereby permit a gain in maturity. As organizational approaches mature, they become more systematic and reflect cycles of evaluation and learning. For use of the term, see the Scoring Guidelines on page 45.

Value

Value refers to the degree of worth relative to cost and relative to possible alternatives of a product, service, process, asset, or function.

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations seek to deliver value to all their stakeholders. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.

Leadership (Category 1)

Leadership addresses how your senior leaders guide your organization in setting directions and seeking future opportunities. Primary attention is given to how your senior leaders set and deploy clear values and high performance expectations that address the needs of all stakeholders. The Category also includes your organization's responsibilities to the public and how your organization practices good citizenship.

1.1 Organizational Leadership

Purpose

This Item examines the key aspects of your organization's leadership and the roles of your senior leaders, with the aim of creating and sustaining a high performance organization.

Requirements

You are asked how your senior leaders set directions, communicate and deploy values and performance expectations, and take into account the expectations of customers and other stakeholders. This includes how leaders create an environment for innovation, learning, and knowledge sharing.

You also are asked how your senior leaders review organizational performance, what key performance measures they regularly review, and how review findings are used to drive improvement and change, including your leaders' effectiveness.

Comments

- Leadership's central roles in setting directions, creating and balancing value for all stakeholders, and driving performance are the focus of this Item. Success requires a strong future orientation and a commitment to both improvement and change. Increasingly, this requires creating an environment for learning and innovation, as well as the means for rapid and effective application of knowledge.

- The organizational review called for in this Item is intended to cover all areas of performance, thereby providing a picture of the "state of health" of your organization. This includes not only how well you are currently performing, but also how well you are moving toward the future. It is anticipated that the review findings will provide a reliable means to guide both improvement and change, tied to your organization's own key objectives, success factors, and measures. Therefore, an important component of your senior leaders' organizational review is the translation of the review findings into an action agenda, sufficiently specific for deployment throughout your organization and to your suppliers/partners and key customers.

1.2 Public Responsibility and Citizenship

Purpose

This Item examines how your organization fulfills its public responsibilities and encourages, supports, and practices good citizenship.

Requirements

You are asked how your organization addresses current and future impacts on society in a proactive manner and how it ensures ethical business practices in all stakeholder interactions. The impacts and practices are expected to cover all relevant and important areas — products, services, and operations.

You also are asked how your organization, your senior leaders, and your employees identify, support, and strengthen key communities as part of good citizenship practices.

Comments

- An integral part of performance management and improvement is proactively addressing legal and regulatory requirements and risk factors. Addressing these areas requires establishing appropriate measures and/or indicators that senior leaders track in their overall performance review. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law.

- Citizenship implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include employee community service that is encouraged and supported by your organization.

- Examples of organizational community involvement include: influencing the adoption of higher standards in education by communicating employability requirements to schools and school boards; partnering with other businesses and health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade and business associations to engage in beneficial, co-operative activities, such as sharing best practices to improve overall U.S. global competitiveness and the environment.

Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning, and deployment of plans. The Category stresses that customer-driven quality and operational performance excellence are key strategic issues that need to be integral parts of your organization's overall planning.

Specifically:

- customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, new markets, and market share — key factors in competitiveness, profitability, and business success; and

- operational performance improvement contributes to short-term and longer-term productivity growth and cost/price competitiveness. Building operational capability — including speed, responsiveness, and flexibility — represents an investment in strengthening your competitive fitness.

The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes with your organization's strategic directions, thereby ensuring that improvement and learning reinforce organizational priorities.

The Strategic Planning Category examines how your organization:

- understands the key customer, market, and operational requirements as input to setting strategic directions. This helps to ensure that ongoing process improvements are aligned with your organization's strategic directions.

- optimizes the use of resources, ensures the availability of trained employees, and ensures bridging between short-term and longer-term requirements that may entail capital expenditures, supplier development, etc.

- ensures that deployment will be effective — that there are mechanisms to transmit requirements and achieve alignment on three basic levels: (1) the organization/executive level; (2) the key process level; and (3) the work-unit/individual-job level.

The requirements for the Strategic Planning Category are intended to encourage strategic thinking and acting — to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* Also, the Category does not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives compete for limited resources. In most cases, priority setting depends heavily upon a cost rationale. However, you also might have critical requirements such as public responsibilities that are not driven by cost considerations alone.

2.1 Strategy Development

Purpose

This Item examines how your organization sets strategic directions and develops your strategic objectives, with the aim of strengthening your overall performance and competitiveness.

Requirements

You are asked to outline your organization's strategic planning process, including identifying the key participants. You are asked how you consider the key factors that affect your organization's future. These factors cover external and internal influences on your organization. You are asked to address each factor and outline how relevant data and information are gathered and analyzed.

Finally, you are asked to summarize your key strategic objectives and your timetable for accomplishing them.

Comments

- This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions — taking as long-term a view as possible. This approach is intended to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

- This Item is intended to cover all types of businesses, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action, but do not imply formalized planning, planning departments, planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business situation, it is still necessary to set and to test the objectives that define and guide critical actions and performance.

- This Item focuses on competitive leadership, which usually depends upon revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization competes, but also how it competes. *How it competes* presents many options and requires that you understand your organization's and your competitors' strengths and weaknesses. Although no specific time horizon is included, the thrust of this Item is sustained competitive leadership.

- An increasingly important part of strategic planning is projecting the competitive environment. Such projections help to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, maturity of markets, pace of change, and competitive parameters (such as price or innovation rate), organizations might use a variety of modeling, scenario, or other techniques and judgments to project the competitive environment.

2.2 Strategy Deployment

Purpose

This Item examines how your organization translates your strategic objectives into action plans to accomplish the objectives and to enable assessment of progress relative to your action plans. The aim is to ensure that your strategies are deployed for goal achievement.

Requirements

You are asked how you develop action plans that address your organization's key strategic objectives. You are asked to summarize your key short- and longer-term action plans. Particular attention is given to products/services, customers/markets, human resource requirements, and resource allocations.

You also are asked to specify key measures and/or indicators used in tracking progress relative to the action plans and how you communicate and align strategic objectives, action plans, and performance.

Finally, you are asked to provide a two-to-five year projection of key performance measures and/or indicators, including key performance targets and/or goals. This projected performance is the basis for comparing past performance and performance relative to competitors and benchmarks, as appropriate.

Comments

- This Item calls for information on how your action plans are developed and deployed. Accomplishment of action plans requires the definition of resource requirements and performance measures, as well as aligning work unit, supplier, and/or partner plans. Of central importance is how you achieve alignment and consistency — for example, via key processes and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities — part of the daily work of all work units. In addition, performance measures are critical to performance tracking. Critical action plan resource requirements include human resource plans that support your overall strategy.

- Examples of possible human resource plan elements are:
  - redesign of your work organization and/or jobs to increase employee empowerment and decision making;
  - initiatives to promote greater labor-management cooperation, such as union partnerships;
  - initiatives to foster knowledge sharing and organizational learning;
  - modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes; and

- education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and/or establishment of technology-based training capabilities.

■ Projections and comparisons in this Item are intended to encourage your organization to improve its ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to competitors and relative to your own targets or stretch goals. Such tracking serves as a key diagnostic management tool.

■ In addition to improvement relative to past performance and to competitors, projected performance also might include changes resulting from new business ventures, entry into new markets, product/service innovations, or other strategic thrusts.

Customer and Market Focus (Category 3)

Customer and Market Focus addresses how your organization seeks to understand the voices of customers and of the marketplace. The Category stresses relationships as an important part of an overall listening, learning, and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on your customers' views but also on their marketplace behaviors — repeat business and positive referrals.

3.1 Customer and Market Knowledge

Purpose

This Item examines your organization's key processes for gaining knowledge about your current and future customers and markets, with the aim of offering relevant products and services, understanding emerging customer requirements and expectations, and keeping pace with changing markets and marketplaces.

Requirements

You are asked how you determine key customer groups and how you segment your markets. You are asked how you consider potential customers, including your competitors' customers. You are asked how you determine key requirements and drivers of purchase decisions, and how you determine key product/service features. These factors are likely to differ for different customer groups and market segments. Knowledge of customer groups and market segments allows your organization to tailor listening and learning strategies and marketplace offerings, to support your marketing strategies, and to develop new business.

Finally, you are asked how you improve your customer listening and learning strategies so that you can keep current with your changing business needs and directions.

Comments

■ In a rapidly changing competitive environment, many factors may affect customer preference and loyalty and your interface with customers in the marketplace. This makes it necessary to listen and learn on a continuous basis. To be effective as an organization, listening and learning need to be closely linked with your organization's overall business strategy and strategy-setting process.

■ A relationship strategy may be possible with some customers but not with others. Differing relationships may require very different listening and learning strategies. The use of electronic commerce is rapidly changing many marketplaces and may affect your listening and learning strategies as well as your definition of customer groups and market segments.

■ Selection of listening and learning strategies depends on your organization's key business factors. Some frequently used strategies include: focus groups with key customers; close integration with key customers; interviews with lost customers about their purchase decisions; use of the customer complaint process to understand key product and service attributes; won/lost analysis relative to competitors; and survey/feedback information, including use of the Internet.

3.2 Customer Satisfaction and Relationships

Purpose

This Item examines your organization's processes for determining customer satisfaction and building customer relationships, with the aim of acquiring new customers, retaining existing customers, and developing new opportunities.

Requirements

You are asked how you provide easy access for customers and potential customers to seek information or assistance and/or to comment and complain. You are asked how customer contact requirements are determined and deployed. You also are asked how your organization aggregates, analyzes, and learns from complaint information. Prompt and effective response and solutions to customer needs and desires are a source of satisfaction and loyalty.

You are asked how you build relationships with your customers since business success, business development, and product/service innovation increasingly depend on maintaining close relationships with your customers.

You are asked how you keep your approaches to all aspects of customer relationships current with changing business needs and directions since approaches to and bases for relationships may change quickly.

You also are asked about your satisfaction and dis-satisfaction determination processes and how they differ for different customer groups because satisfied customers are a requirement for loyalty, repeat business, and positive referrals.

Finally, you are asked how you follow up with customers regarding products, services, and recent transactions, and how you determine the customers' satisfaction relative to competitors so that you may improve future performance.

Comments

■ This Item emphasizes how you obtain actionable information from customers. To be actionable, you should be able to tie the information to key business processes, and you should be able to determine cost/revenue implications for improvement priority setting.

■ Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to priority setting for process, product, and service improvements. Successful outcomes require effective deployment of information throughout the organization.

■ A key aspect of customer satisfaction determination is satisfaction relative to competitors and competing or alternative offerings. Such information might be

derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness.

Information and Analysis (Category 4)

Information and Analysis is the main point within the Criteria for all key information to effectively measure performance and manage your organization, and to drive improvement of performance and competitiveness. In the simplest terms, Category 4 is the "brain center" for the alignment of your organization's operations and its strategic directions. However, since information and analysis might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

4.1 Measurement of Organizational Performance

Purpose

This Item examines your organization's selection, management, and use of data and information for performance measurement, in support of organizational planning and performance improvement. The aim is to serve as a key foundation for your functioning as a high performing organization.

Requirements

You are asked how you establish the major components of an effective performance measurement system for your organization. You are asked how you select and use measures for tracking daily operations and how you select and integrate measures for monitoring overall organizational performance. You also are asked how you ensure data and information reliability since reliability is critical to successful monitoring of operations and to successful data integration for assessing overall performance.

You are asked how you select and use competitive comparisons and benchmarking information to help drive performance improvement.

Finally, you are asked how you keep your organization's performance measurement system current with changing business needs.

Comments

■ Alignment and integration are key concepts for success-ful implementation of your performance measurement system. They are viewed in terms of extent and effectiveness of use to meet your performance assessment needs. Alignment and integration include how measures are aligned throughout your organization, how they are integrated to yield organization-wide measures, and how performance measurement requirements are deployed by your senior

leaders to track work group and process level performance on key measures targeted for organization-wide significance and/or improvement.

- Performance data and information are especially important in business networks, alliances, and supply chains. Your responses to this Item should take into account this strategic use of data and information, and should recognize the need for rapid data validation and reliability assurance given the increasing use of electronic data transfer.

- The use of competitive and comparative information is important to all organizations. The major premises for using competitive and comparative information are: (1) your organization needs to know where it stands relative to competitors and to best practices; (2) comparative and benchmarking information often provides the impetus for significant ("breakthrough") improvement or change; and (3) preparation for comparing performance information frequently leads to a better understanding of your processes and their performance. Benchmarking information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.

- Your effective selection and use of competitive comparisons and benchmarking information require: (1) determination of needs and priorities; (2) criteria for seeking appropriate sources for comparisons — from within and outside your organization's industry and markets; and (3) use of data and information to set stretch targets and to promote major, non-incremental improvements in areas most critical to your organization's competitive strategy.

4.2 Analysis of Organizational Performance

Purpose

This Item examines your organization's analysis of its performance, as a basis for assessing your overall organizational health. The Item serves as a central analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of analysis is to guide your organization's process management toward the achievement of key business results and strategic objectives.

Requirements

You are asked how you analyze data and information from all parts of your organization to support your senior leaders' assessment of overall organizational health, your organizational planning, and your daily operations.

Comments

- Individual facts and data do not usually provide an effective basis for organizational priority setting. This Item emphasizes that close alignment is needed between your analysis and your organizational performance review and between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision making is based on relevant facts.

- Action depends upon understanding cause/effect connections among processes and between processes and business/performance results. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for improvement are limited and cause/effect connections are often unclear.

- Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely, depending upon your type of organization, size, competitive environment, and other factors. Examples of possible analyses include:

  - how product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share;
  - cost/revenue implications of customer-related problems and problem resolution effectiveness;
  - interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction;
  - improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels;
  - relationships between employee/organizational learning and value added per employee;
  - financial benefits derived from improvements in employee safety, absenteeism, and turnover;
  - benefits and costs associated with education and training;
  - benefits and costs associated with improved organizational knowledge management and sharing;
  - how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity;
  - cost/revenue implications of employee-related problems and effective problem resolution;
  - individual or aggregate measures of productivity and quality relative to competitors;
  - cost trends relative to competitors;
  - relationships between product/service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee;
  - allocation of resources among alternative improvement projects based on cost/revenue implications and improvement potential;
  - net earnings derived from quality/operational/human resource performance improvements;

- comparisons among business units showing how quality and operational performance improvement affect financial performance;
- contributions of improvement activities to cash flow, working capital use, and shareholder value;
- profit impacts of customer retention;
- cost/revenue implications of new market entry, including global market entry or expansion;
- cost/revenue, customer, and productivity implications of engaging in and/or expanding electronic commerce;
- market share versus profits; and
- trends in economic, market, and shareholder indicators of value.

Human Resource Focus (Category 5)

Human Resource Focus addresses key human resource practices — those directed toward creating a high performance workplace and toward developing employees to enable them and your organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, that is, aligned with your organization's strategic directions. Included in the focus on human resources is a focus on your work environment and your employee support climate.

To ensure the basic alignment of human resource management with overall strategy, the Criteria also include human resource planning as part of organizational planning in the Strategic Planning Category.

5.1 Work Systems

Purpose

This Item examines your organization's systems for work and job design, compensation, employee performance management, motivation, recognition, communication, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change.

Requirements

You are asked how you design work and jobs to allow employees to exercise discretion and decision making, resulting in high performance.

You are asked how you encourage and motivate employees, how you manage employee performance, how you compensate, recognize, and reward employees, and how you ensure effective communication and cooperation, all in support of high performance and employee well-being and loyalty.

Finally, you are asked how you profile, recruit, and hire employees who will meet your expectations and needs.

This requirement entails ensuring that the work force is reflective of your key communities. The right work force is an enabler of high performance.

Comments

- High performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing business needs and requirements of the marketplace. The focus of this Item is on a work force capable of achieving high performance. In addition to the enabled employees and proper work system design, high performance work requires ongoing education and training, and information systems that ensure proper information flow. To help employees realize their full potential, many organizations use individual development plans developed with each employee and addressing his/her career and learning objectives.

- Factors for your consideration in work and job design include simplification of job classifications, cross-training, job rotation, use of teams (including self-directed teams), and changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment with trust, knowledge sharing, and mutual respect.

- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and/or to peer evaluations. Compensation and recognition approaches also might include profit sharing, team or unit performance, and linkage to customer satisfaction and loyalty measures or other business objectives.

5.2 Employee Education, Training, and Development

Purpose

This Item examines your organization's work force education, training, and on-the-job reinforcement of knowledge and skills, with the aim of meeting ongoing needs of employees and a high performance workplace.

Requirements

You are asked how education and training are designed, delivered, reinforced on the job, and evaluated, with special emphasis placed on meeting individual career progression and organizational business needs. You are asked how you consider job and organizational performance in education and training design and evaluation in support of a fact-based management system.

You are asked how employees and their supervisors participate in the needs determination, design, and evaluation of education and training, because these individuals frequently are best able to identify critical needs and evaluate success. You also are asked how employees and supervisors use performance measures and standards to ensure performance excellence in education and training.

Finally, you are asked about your organization's key developmental and training needs, including such high priority needs as management/leadership development, diversity training, and safety. Succession planning and leadership development, at all levels in increasingly diverse organizations, present a growing challenge and need.

Comments

- Depending on the nature of your organization's work and employees' responsibilities and stage of organizational and personal development, education and training needs might vary greatly. These needs might include knowledge sharing skills, communications, teamwork, problem solving, interpreting and using data, meeting customer requirements, process analysis and simplification, waste and cycle time reduction, and priority setting based on strategic alignment or cost/benefit analysis. Education needs also might include basic skills, such as reading, writing, language, and arithmetic.

- Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, distance learning, or other types of delivery. Training also might occur through developmental assignments within or outside your organization.

- When you evaluate education and training, you should seek effectiveness measures as a critical component of evaluation. Such measures might address impact on individual, unit, and organizational performance, impact on customer-related performance, and cost/benefit analysis of the training.

- Although this Item does not specifically ask you about training for customer contact employees, such training is increasingly important and common. It frequently includes: acquiring critical knowledge and skills with respect to your products, services, and customers; skills on how to listen to customers; recovery from problems or failures; and learning how to effectively manage customer expectations.

5.3 Employee Well-Being and Satisfaction

Purpose

This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the well-being, satisfaction, and motivation of all employees, recognizing their diverse needs.

Requirements

You are asked how you ensure a safe and healthful work environment for all employees, taking into account their differing work environments and associated requirements. Special emphasis is placed on how employees contribute to identifying important factors and to improving workplace safety. You also are asked to identify appropriate measures and targets for key environmental factors so that status and progress can be tracked.

You are asked how you enhance employee well-being, satisfaction, and motivation based upon a holistic view of this key stakeholder group. Special emphasis is placed on the variety of approaches you use to satisfy a diverse work force with differing needs and expectations.

Finally, you are asked how you assess employee well-being, satisfaction, and motivation, and how you relate assessment findings to key business results to set improvement priorities.

Comments

- Most organizations, regardless of size, have many opportunities to contribute to employee well-being, satisfaction, and motivation. Some examples of services, facilities, activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; non-work-related education; day care; special leave for family responsibilities and/or community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services.

- Although satisfaction with pay and promotion is important, these two factors are generally not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are effective employee problem and grievance resolution; employee development and career opportunities; work environment and management support; workload; communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.

- In addition to direct measurement of employee satisfaction and well-being through formal or informal surveys, some other indicators of satisfaction and well-being include: absenteeism, turnover, grievances, strikes, OSHA reportables, and worker's compensation claims.

Process Management (Category 6)

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management — effective design; a prevention orientation; linkage to suppliers and partners; operational performance; cycle time; and evaluation, continuous improvement, and organizational learning.

Flexibility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In simplest terms, flexibility refers to your ability to adapt quickly and effectively to changing requirements. Depending on the nature of your organization's strategy and markets, flexibility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Flexibility might demand special strategies such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Flexibility also increasingly involves outsourcing decisions, agreements with key suppliers, and novel partnering arrangements.

Cost and cycle time reduction often involve many of the same process management strategies as achieving flexibility. Thus, it is crucial to utilize key measures for these requirements in your overall process management.

6.1 Product and Service Processes

Purpose

This Item examines your organization's key product and service design and delivery processes, with the aim of improving your marketplace and operational performance.

Requirements

You are asked to identify your key design processes for products and services and their related production and delivery processes. You are asked how you address key requirements, such as customer/market requirements and new technology. You also are asked how you address key factors in design effectiveness, including cost control, cycle time, and learning from past design projects. Finally, you are asked how you ensure that design processes cover all key operational performance requirements and appropriate coordination and testing to ensure effective product/service launch.

You are asked to identify your key production/delivery processes, their key performance requirements, and key performance measures. These requirements and measures are the basis for maintaining and improving your products, services, and production/delivery processes. Finally, you are asked how you improve your production/delivery processes to achieve better processes and products/services.

Comments

- Your design approaches could differ appreciably depending upon the nature of your products/services — whether the products/services are entirely new, variants, or involve major or minor process changes. You should consider the key requirements for your products and services. Factors that might need to be considered in design include: safety; long-term performance; environmental impact; "green" manufacturing; measurement capability; process capability; manufacturability; maintainability; supplier capability; and documentation. Effective design also must consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning ("reengineering") those processes to achieve efficiency, as well as to meet changing customer requirements.

- Many organizations need to consider requirements for suppliers and/or business partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel, or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but might offer means to significantly reduce unit costs and time to market.

- Coordination of design and production/delivery processes involves all work units and/or individuals who will take part in production/delivery and whose performance materially affects overall process outcome. This might include groups such as research and development (R&D), marketing, design, and product/process engineering.

- This Item calls for information on the management and improvement of key production/delivery processes. The information required includes a description of the key processes, their specific requirements, and how performance relative to these requirements is determined and maintained. Specific reference is made to in-process measurements and customer interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance. Expected performance frequently requires setting performance levels or standards to guide decision making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and/or human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or anywhere else in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.

- This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspective but also better financial and operational performance — such as productivity — from your organization's perspective. A variety of process improvement approaches are commonly used. These approaches include: (1) sharing successful strategies across your organization; (2) process analysis and research (e.g., process mapping, optimization experiments, and error proofing); (3) research and development results; (4) benchmarking; (5) using alternative technology; and (6) using information from customers of the processes — within and outside of your organization. Process improvement approaches

might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign ("reengineering") of processes.

6.2 Support Processes

Purpose

This Item examines your organization's key support processes, with the aim of improving your overall operational performance.

Requirements

You are asked to identify your key support processes and their design requirements. You are asked how your organization's key support processes are designed to meet all your requirements and how you incorporate input from internal and external customers, as appropriate.

You also are asked how day-to-day operation of your key support processes ensures meeting the key requirements, including how in-process measures and/or customer feedback are used.

Finally, you are asked how you improve your key support processes to achieve better performance and to keep them current with your changing business needs and directions.

Comments

■ Your support processes are those that support product and/or service delivery, but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly upon product and service characteristics. Support process design requirements usually depend significantly upon your internal requirements, and they must be coordinated and integrated to ensure efficient and effective linkage and performance. Support processes might include finance and accounting, software services, sales, marketing, public relations, information services, personnel, legal services, plant and facilities management, research and development, and secretarial and other administrative services.

■ This Item calls for information on how your organization evaluates and improves the performance of your key support processes. Four approaches frequently used are: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) use of information from customers of the processes — within and outside your organization. Together, these approaches offer a wide range of possibilities, including complete redesign ("reengineering") of processes.

6.3 Supplier and Partnering Processes

Purpose

This Item examines your organization's key supplier and partnering processes and relationships, with the aim of improving your performance and your suppliers' performance.

Requirements

You are asked to identify the key products and services that you obtain from suppliers and partners to understand the nature and business criticality of these supplies. You are asked for your key performance requirements and measures for suppliers and partners, and how you use these requirements and measures in managing and improving performance. These performance requirements and associated measures should be the principal factors you use in making purchases (e.g., quality, timeliness, and price).

You are asked how you provide actionable feedback and how you minimize costs associated with acceptance testing, two components of a system for supplier/partner relationship building and process improvement. You also are asked how you provide your suppliers and partners with assistance and incentives, which will contribute to improvements in their performance and your performance.

Finally, you are asked how you improve your supplier and partnering processes so that you and your suppliers can keep current with your changing business needs and directions.

Comments

■ Suppliers and partners are receiving increasing focus as many organizations re-evaluate their core functions and the potential for better overall performance through strategic use of suppliers and partners. As a result, supply chain management is a growing factor in many organizations' productivity, profitability, and overall business success.

■ In identifying key suppliers and partners, you should consider goods and services used in the design, production, delivery, and use of your organization's products and services, i.e., consider both upstream and downstream suppliers and partners.

■ The Item places particular emphasis on the unique relationships that lead to high performance. Electronic data and information exchange is fostering new modes of communication and new types of relationships that can support high performance on the part of suppliers and customers. You are encouraged to focus on actions that will not only improve supplier performance, but actions that will enable them to contribute to your improved performance. In addition to electronic information exchange, such actions might include one

or more of the following: improving your procurement and supplier management processes; joint planning; customer-supplier teams; training; long-term agreements; and recognition. Your supplier management planning might include changes in supplier selection, leading to a reduction in the number of suppliers and an increase in preferred supplier and partnership agreements.

Business Results (Category 7)

The Business Results Category provides a results focus that encompasses your customers' evaluation of your organization's products and services, your overall financial and market performance, and results of all key processes and process improvement activities. Through this focus, the Criteria's dual purposes — superior value of offerings as viewed by your customers and the marketplace, and superior organizational performance reflected in your operational and financial indicators — are maintained. Category 7 thus provides "real-time" information (measures of progress) for evaluation and improvement of processes, products, and services, aligned with your overall organizational strategy. Item 4.2 calls for analysis of business results data and information to determine your overall organizational performance.

7.1 Customer Focused Results

Purpose

This Item examines your organization's customer focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and delivering product and service quality that lead to satisfaction and loyalty.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of customer satisfaction, dissatisfaction, and satisfaction relative to competitors. You are asked to provide data and information on customer loyalty (retention), positive referral, and customer-perceived value.

You also are asked to provide levels and trends in key measures and/or indicators of product and service performance. Such results should be for key drivers of your customers' satisfaction and retention.

Comments

- This Item focuses on the creation and use of all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include: customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints and warranty claims; customer-perceived value based on quality and price; and awards, ratings, and recognition from customers and independent rating organizations.

- The Item includes measures of product and service performance that serve as indicators of customers' views and decision making relative to future purchases and relationships. These measures of product and service performance are derived from customer-related information gathered in Items 3.1 and 3.2 ("listening posts").

- Product and service measures appropriate for inclusion might be based upon the following: internal quality measurements; field performance of products; data

41

collected from your customers by other organizations on ease of use or other attributes; or customer surveys on product and service performance.

■ The correlation between product/service performance and customer indicators is a critical management tool — for defining and focusing on key quality and customer requirements and for identifying product/service differentiators in the marketplace. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of offerings.

7.2 Financial and Market Results

Purpose

This Item examines your organization's financial and market results, with the aim of understanding your marketplace challenges and opportunities.

Requirements

You are asked to provide levels, trends, and appropriate comparisons for key financial, market, and business indicators. Overall, these results should provide a complete picture of your financial and marketplace success and challenges.

Comments

■ Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization's performance.

■ Appropriate financial measures and indicators might include: revenue, profits, market position, cash-to-cash cycle time, earnings per share, and returns measures. Marketplace performance measures might include: market share, measures of business growth, new product and geographic markets entered (including exports), and percent new product sales.

7.3 Human Resource Results

Purpose

This Item examines your organization's human resource results, with the aim of demonstrating how well your organization has been creating and maintaining a positive, productive, learning, and caring work environment.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of employee well-being, satisfaction, dissatisfaction, and development.

You also are asked to provide data and information on your organization's work system performance and effectiveness.

Comments

■ Results reported might include generic or organization-specific factors. Generic factors might include: safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons are appropriate.

■ Organization-specific factors are those you assess for determining your employees' well-being and satisfaction. These factors might include: extent of training or cross-training, or extent and success of self-direction.

■ Results measures reported for work system performance might include improvement in job classification, job rotation, work layout, and local decision making. Results reported might include input data, such as extent of training, but the main emphasis should be on data that show effectiveness of outcomes.

7.4 Supplier and Partner Results

Purpose

This Item examines your organization's supplier and partner results, with the aims of demonstrating how well your organization ensures the quality, delivery, and price of externally provided goods and services and how your suppliers/partners contribute to your improved performance.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of supplier and partner performance, including how their performance affects your improved performance. You should emphasize your most critical requirements for business success.

Comments

■ Suppliers and partners provide goods and services "upstream" and "downstream." Data reported should reflect results by whatever means they occur — via improvements by suppliers and partners and/or through better selection of suppliers and partners.

■ For purposes of this Item, providers of goods and services within your parent organization, but not in your own organization, should be included as suppliers or partners.

■ Results reported might include: quality levels, cost savings, total supply chain management costs, reductions in waste, reductions in inventory, reductions in cycle time, and increases in productivity. Indicators of better connection and communication, such as achieved via electronic commerce or data exchanges, are appropriate for inclusion. Indicators of supplier and partner performance improvement via external compliance, such as ISO 9000 and Y2K readiness, also are appropriate for inclusion.

7.5 Organizational Effectiveness Results

Purpose

This Item examines your organization's other key operational performance results, with the aim of achieving organizational effectiveness and key organizational goals.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of operational and strategic performance that support the ongoing achievement of results reported in Items 7.1 through 7.4.

You also are asked to provide data and information on your organization's regulatory/legal compliance and citizenship.

Comments

- This Item encourages your organization to develop and include unique and innovative measures to track business development and operational improvement. However, all key areas of business and operational performance should be covered by measures that are relevant and important to your organization.

- Measures and/or indicators of operational effectiveness and efficiency might include: reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators such as cycle times, production flexibility, lead times, set-up times, and time to market; business-specific indicators such as innovation rates, product/process yields, and delivery performance to request; third-party assessment results such as ISO 9000 audits; and indicators of strategic goal achievement.

- Measures should include environmental and regulatory compliance and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.

- If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and current status should be summarized.

SCORING SYSTEM

The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on three evaluation dimensions: (1) Approach; (2) Deployment; and (3) Results. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on page 45.

Approach

Approach refers to how you address the Item requirements — the *method(s)* used. The factors used to evaluate approaches include:

- appropriateness of the methods to the requirements
- effectiveness of use of the methods. Degree to which the approach:
  – is repeatable, integrated, and consistently applied
  – embodies evaluation/improvement/learning cycles
  – is based on reliable information and data
- alignment with your organizational needs
- evidence of innovation

Deployment

Deployment refers to the *extent* to which your approach is applied to all requirements of the Item. The factors used to evaluate deployment include:

- use of the approach in addressing Item requirements relevant to your organization
- use of the approach by all appropriate work units

Results

Results refers to *outcomes* in achieving the purposes given in the Item. The factors used to evaluate results include:

- your current performance
- performance relative to appropriate comparisons and/or benchmarks
- rate, breadth, and importance of your performance improvements
- linkage of your results measures to key customer, market, process, and action plan performance requirements identified in your Business Overview and in Approach/Deployment Items

Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data you are expected to furnish relative to the three evaluation dimensions.

The two types of Items and their designations are:

1. Approach/Deployment   **Approach - Deployment**

2. Results   **Results**

Approach and Deployment are linked to emphasize that descriptions of Approach should always indicate the Deployment — consistent with the *specific requirements*

of the Item. Although Approach and Deployment dimensions are linked, feedback to Award applicants reflects strengths and/or opportunities for improvement in either or both dimensions.

Results Items call for data showing performance levels and trends on key measures and/or indicators of organizational performance. Results Items also call for data on breadth of performance improvements — how widespread your improvement results are. This is directly related to the Deployment dimension. That is, if improvement processes are widely deployed, there should be corresponding results. A score for a Results Item is thus a composite based upon overall performance, taking into account the breadth of improvements and their importance. (See next paragraph.)

"Importance" as a Scoring Factor

The three evaluation dimensions described previously are critical to evaluation and feedback. However, evaluation and feedback also must consider the importance of your reported Approach, Deployment, and Results to your key business factors. The areas of greatest importance should be identified in your Business Overview and in Items such as 2.1, 2.2, 3.1, 6.1, and 7.5. Your key customer requirements and key strategic objectives and action plans are particularly important.

Assignment of Scores to Your Responses

The following guidelines should be observed in assigning scores to your Item responses:

- All Areas to Address should be included in your Item response. Also, responses should reflect what is important to your organization;
- In assigning a score to an Item, first decide which scoring range (e.g., 50% to 60%) best fits the overall Item response. Overall "best fit" does not require total agreement with each of the statements for that scoring range. Actual score *within* the range depends upon judgment of the closeness of the Item response in relation to the statements in the next higher and next lower scoring ranges;
- An Approach/Deployment Item score of 50% represents an approach that meets the overall objectives of the Item and that is deployed to the principal activities and work units covered in the Item. Higher scores reflect maturity (cycles of improvement), integration, and broader deployment; and
- A Results Item score of 50% represents a clear indication of improvement trends and/or good levels of performance in the principal results areas covered in the Item. Higher scores reflect better improvement rates and/or levels of performance, and better comparative performance as well as broader coverage and integration with business requirements.

SCORING GUIDELINES

SCORE	APPROACH/DEPLOYMENT
0%	▪ no systematic approach evident; anecdotal information
10% to 20%	▪ beginning of a systematic approach to the basic purposes of the Item ▪ major gaps exist in deployment that would inhibit progress in achieving the basic purposes of the Item ▪ early stages of a transition from reacting to problems to a general improvement orientation
30% to 40%	▪ an effective, systematic approach, responsive to the basic purposes of the Item ▪ approach is deployed, although some areas or work units are in early stages of deployment ▪ beginning of a systematic approach to evaluation and improvement of basic Item processes
50% to 60%	▪ an effective, systematic approach, responsive to the overall purposes of the Item ▪ approach is well-deployed, although deployment may vary in some areas or work units ▪ a fact-based, systematic evaluation and improvement process is in place for basic Item processes ▪ approach is aligned with basic organizational needs identified in the other Criteria Categories
70% to 80%	▪ an effective, systematic approach, responsive to the multiple requirements of the Item ▪ approach is well-deployed, with no significant gaps ▪ a fact-based, systematic evaluation and improvement process and organizational learning/sharing are key management tools; clear evidence of refinement and improved integration as a result of organizational-level analysis and sharing ▪ approach is well-integrated with organizational needs identified in the other Criteria Categories
90% to 100%	▪ an effective, systematic approach, fully responsive to all the requirements of the Item ▪ approach is fully deployed without significant weaknesses or gaps in any areas or work units ▪ a very strong, fact-based, systematic evaluation and improvement process and extensive organizational learning/sharing are key management tools; strong refinement and integration, backed by excellent organizational-level analysis and sharing ▪ approach is fully integrated with organizational needs identified in the other Criteria Categories

SCORE	RESULTS
0%	▪ no results or poor results in areas reported
10% to 20%	▪ some improvements *and/or* early good performance levels in a few areas ▪ results not reported for many to most areas of importance to the organization's key business requirements
30% to 40%	▪ improvements *and/or* good performance levels in many areas of importance to the organization's key business requirements ▪ early stages of developing trends and obtaining comparative information ▪ results reported for many to most areas of importance to the organization's key business requirements
50% to 60%	▪ improvement trends *and/or* good performance levels reported for most areas of importance to the organization's key business requirements ▪ no pattern of adverse trends and no poor performance levels in areas of importance to the organization's key business requirements ▪ some trends *and/or* current performance levels — evaluated against relevant comparisons *and/or* benchmarks — show areas of strength *and/or* good to very good relative performance levels ▪ business results address most key customer, market, and process requirements
70% to 80%	▪ current performance is good to excellent in areas of importance to the organization's key business requirements ▪ most improvement trends *and/or* current performance levels are sustained ▪ many to most trends *and/or* current performance levels — evaluated against relevant comparisons *and/or* benchmarks — show areas of leadership and very good relative performance levels ▪ business results address most key customer, market, process, and action plan requirements
90% to 100%	▪ current performance is excellent in most areas of importance to the organization's key business requirements ▪ excellent improvement trends *and/or* sustained excellent performance levels in most areas ▪ evidence of industry and benchmark leadership demonstrated in many areas ▪ business results fully address key customer, market, process, and action plan requirements

For a definition of the following **key term**, see page 29: systematic.

PREPARING THE BUSINESS OVERVIEW

The Business Overview is an outline of your business. It should address what is most important to the business, key influences on how the business operates, and where the business is headed. *The Business Overview is a statement of what is relevant and important to your organization and its performance.*

The Business Overview is critically important because:

- it is the most appropriate starting point for self-assessment and for writing an application. It helps you focus on key business performance requirements and business results; and

- it is used by the Examiners and Judges in all stages of application review and during the site visit.

It is strongly recommended that the Business Overview be prepared first and that it be used as a guide in self-assessment and in writing and reviewing a Baldrige application.

Guidelines for Preparing the Business Overview

The Business Overview consists of five sections as follows:

1. Basic description of your organization

This section should provide information on:

- your products and services;
- the size and location(s) of your organization and whether it is publicly or privately owned;
- your organizational culture: purpose, vision, mission, and values, as appropriate;
- your major markets: local, regional, national, or international; and principal customer types: consumers, other businesses, government, etc.;
- your employee base, including number, educational level, work force and job diversity, bargaining units, and special safety requirements;
- your major equipment, facilities, and technologies used; and
- the regulatory environment affecting you: occupational health and safety, environmental, financial, and product, etc.

If your organization is a subunit of a larger organization, describe:

- the organizational relationship to your parent and percent of employees the subunit represents;
- how your products and services relate to those of your parent and/or other units of the parent organization; and
- key support services, if any, that your parent organization provides.

2. Customer and market requirements

This section should provide information on:

- key customer and market requirements (for example, on-time delivery, low defect levels, price demands, and after-sales services) for your products and services. Briefly describe all important requirements, and note significant differences, if any, in requirements among customer groups and/or market segments. (Note any special relationships, such as partnerships, with customers or customer groups.)

3. Supplier and partnering relationships

This section should provide information on:

- types and numbers of suppliers of goods and services;
- the most important types of suppliers, dealers, and other businesses; and
- any limitations, special relationships, or special requirements that may exist with some or all suppliers and partners.

4. Competitive situation

This section should provide information on:

- numbers and types of competitors;
- your position (relative size, growth) in the industry;
- principal factors that determine your competitive success, such as productivity growth, cost reduction, and product innovation; and
- changes taking place that affect competition, such as growing global competition.

5. Business directions

This section should provide information, as appropriate, on:

- major new thrusts, such as changes in products or entry into new markets or segments;
- new business alliances;
- introduction of new technologies;
- changes in strategy; and
- unique factors.

Page Limit

For Baldrige Award applicants, the Business Overview is limited to five pages. These are not counted in the overall application page limit. Typing instructions for the Business Overview are the same as for the application. These instructions are given in the *2000 Application Forms & Instructions for Business, Education, and Health Care* booklet. Ordering information is given on page 53.

2000 CRITERIA RESPONSE GUIDELINES

The guidelines given in this section are offered to assist you, as a Criteria user, in responding most effectively to the requirements of the 19 Criteria Items. Writing an application for the Baldrige Award involves responding to these requirements in 50 or fewer pages.

The guidelines are presented in three parts:

(1) General Guidelines regarding the Criteria booklet, including how the Items are formatted;

(2) Guidelines for Responding to Approach/Deployment Items; and

(3) Guidelines for Responding to Results Items.

General Guidelines

1. Read the entire Criteria booklet.

The main sections of the booklet provide an overall orientation to the Criteria, including how responses are to be evaluated for self-assessment or by Award Examiners. You should become thoroughly familiar with the following sections:

- Criteria for Performance Excellence (pages 10-26)
- Scoring information (pages 44-45)
- Glossary of Key Terms (pages 27-29)
- Category and Item Descriptions (pages 30-43)

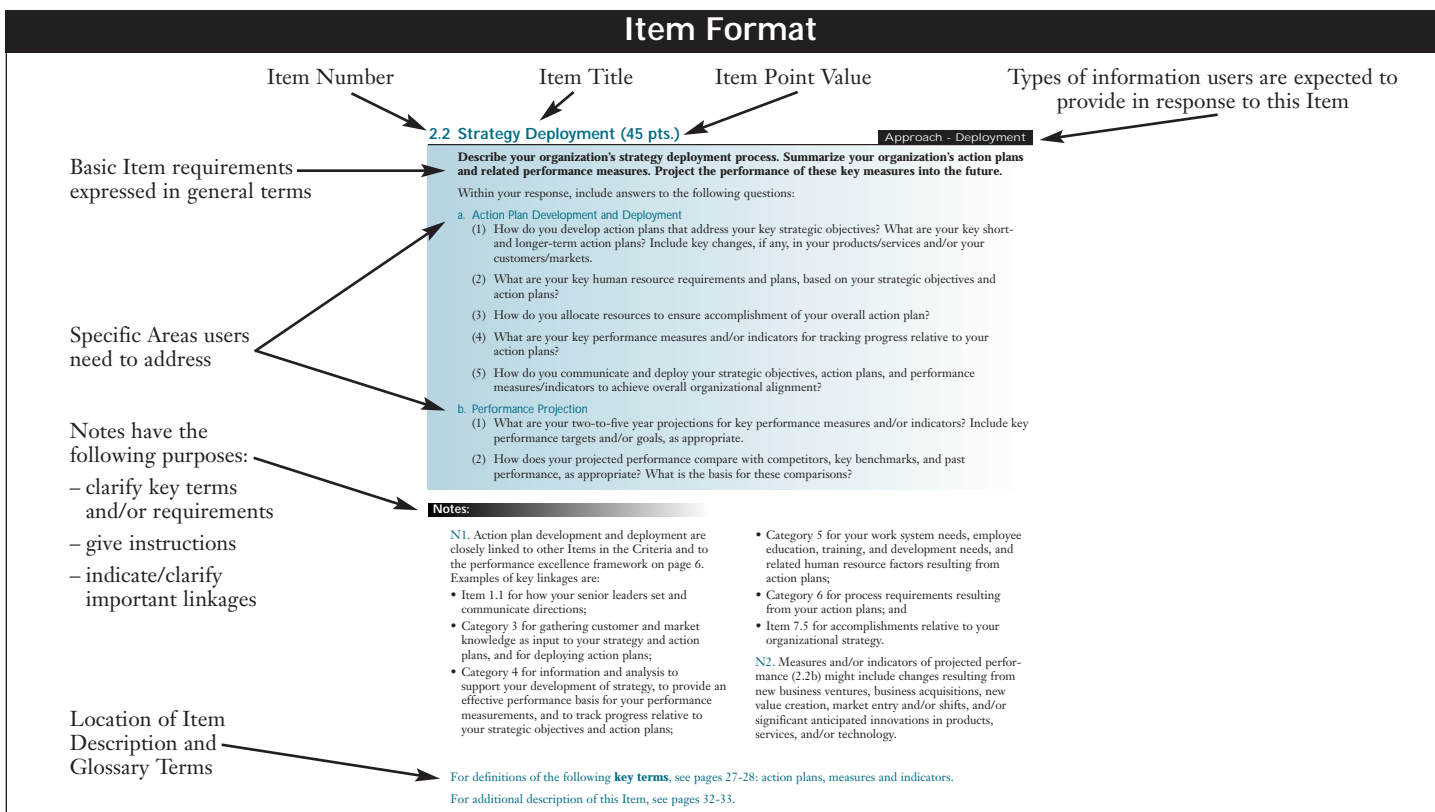### 2. Review the Item format and understand how to respond to the Item requirements.

The Item format (see figure below) shows the different parts of Items, the significance of each part, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. Each Item and Area to Address is described in greater detail in a separate section (pages 30-43).

Each Item is classified either **Approach-Deployment** or **Results**, depending on the type of information required. Guidelines for responding to Approach/Deployment Items are given on pages 48-49. Guidelines for responding to Results Items are given on pages 49-50.

Item requirements are presented in question format, sometimes with modifying statements. Responses to an Item should contain answers to all questions and modifying statements; however, each question need not be separately answered. Responses to multiple questions within a single Area to Address may be grouped, as appropriate to your organization.

3. Start by preparing the Business Overview.

The Business Overview is the most appropriate starting point for initiating a self-assessment or for writing an application. The Business Overview is intended to help everyone — including Criteria users/application writers and reviewers — to understand what is most relevant and important to your organization's business. Guidelines for preparing the Business Overview are given on page 46.

Item Format

Item Number	Item Title	Item Point Value	Types of information users are expected to provide in response to this Item

2.2 Strategy Deployment (45 pts.)

Approach - Deployment

Basic Item requirements expressed in general terms →
Describe your organization's strategy deployment process. Summarize your organization's action plans and related performance measures. Project the performance of these key measures into the future.

Within your response, include answers to the following questions:

a. Action Plan Development and Deployment

(1) How do you develop action plans that address your key strategic objectives? What are your key short- and longer-term action plans? Include key changes, if any, in your products/services and/or your customers/markets.

(2) What are your key human resource requirements and plans, based on your strategic objectives and action plans?

Specific Areas users need to address →

(3) How do you allocate resources to ensure accomplishment of your overall action plan?

(4) What are your key performance measures and/or indicators for tracking progress relative to your action plans?

(5) How do you communicate and deploy your strategic objectives, action plans, and performance measures/indicators to achieve overall organizational alignment?

b. Performance Projection

(1) What are your two-to-five year projections for key performance measures and/or indicators? Include key performance targets and/or goals, as appropriate.

(2) How does your projected performance compare with competitors, key benchmarks, and past performance, as appropriate? What is the basis for these comparisons?

Notes:

Notes have the following purposes:
- clarify key terms and/or requirements
- give instructions
- indicate/clarify important linkages

N1. Action plan development and deployment are closely linked to other Items in the Criteria and to the performance excellence framework on page 6. Examples of key linkages are:
- Item 1.1 for how your senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to your strategy and action plans, and for deploying action plans;
- Category 4 for information and analysis to support your development of strategy, to provide an effective performance basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;

- Category 5 for your work system needs, employee education, training, and development needs, and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting from your action plans; and
- Item 7.5 for accomplishments relative to your organizational strategy.

N2. Measures and/or indicators of projected performance (2.2b) might include changes resulting from new business ventures, business acquisitions, new value creation, market entry and/or shifts, and/or significant anticipated innovations in products, services, and/or technology.

Location of Item Description and Glossary Terms →

For definitions of the following **key terms**, see pages 27-28: action plans, measures and indicators.

For additional description of this Item, see pages 32-33.

Guidelines for Responding to Approach/Deployment Items

The Criteria focus on key performance results. However, results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than your competition's, it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of Approach-Deployment Items is to permit diagnosis of your organization's most important processes — the ones that enable fast-paced performance improvement and contribute to key business results. Diagnosis and feedback depend heavily upon the *content and completeness* of Approach-Deployment Item responses. For this reason, it is important to respond to these Items by providing your key process information. Guidelines for organizing and reviewing such information follow.

1. **Understand the meaning of** *how*.

   Items requesting information on approach include questions that begin with the word *how*. *Responses should outline your key process information such as methods, measures, deployment, and evaluation/improvement/learning factors*. Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as *anecdotal information*.

2. **Understand the meaning of** *what*.

   Two types of questions in Approach/Deployment Items begin with the word *what*. The first type of question requests basic information on key processes and how they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit diagnosis or feedback. The second type of question requests information on *what* are your key findings, plans, objectives, goals, or measures. These questions set the context for showing alignment in your performance management system. For example, when you identify key strategic objectives, your action plans, human resource development plans, and some of your

results measures can be expected to relate to the stated strategic objectives.

3. **Write and review response(s) with the following guidelines and comments in mind:**

   - Show that activities are *systematic*.

     Approaches that are systematic are repeatable and use data and information so that improvement and learning are possible. In other words, approaches are systematic if they build in the opportunity for evaluation and learning, and thereby permit a gain in maturity.

   - Show deployment.

     Deployment information should summarize what is done in different parts of your organization. Deployment can be shown compactly by using tables.

   - Show focus and consistency.

     There are four important factors to consider regarding focus and consistency: (1) the Business Overview should make clear what is important; (2) the Strategic Planning Category, including the strategic objectives and action plans, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of organizational-level analysis and review (Items 4.2 and 1.1) should show how your organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight product, service, support, and supplier processes that are key to your overall performance. *Focus and consistency in the Approach-Deployment Items and tracking corresponding measures in the Results Items should improve business performance.*

   - Respond fully to Item requirements.

     Missing information will be interpreted as a gap in approach and/or deployment. All Areas to Address should be addressed. Individual components of an Area to Address may be addressed individually or together.

4. **Cross-reference when appropriate.**

   As much as possible, each Item response should be self-contained. However, responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses, rather than to repeat information. In such cases, key process information should be given in the Item requesting this information. For example, employee education and training should be described in detail in Item 5.2. References elsewhere to education and training would then reference, but not repeat, this detail.

5. **Use a compact format.**

   Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flowcharts, tables, and "bullets" to present information.

6. **Refer to the Scoring Guidelines.**

   The evaluation of Item responses is accomplished by considering the Criteria Item requirements and the maturity of the approaches, breadth of deployment, and strength of the improvement process relative to the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines.

Guidelines for Responding to Results Items

The Criteria place the greatest emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

1. **Focus on the most critical business results.**

   Results reported should cover the most important requirements for your business success, highlighted in your Business Overview, and in the Strategic Planning and Process Management Categories.

2. **Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data**.

   - *trends* to show directions of results and rates of change;

   - *performance levels* on a meaningful measurement scale;

   - *comparisons* to show how results compare with those of other, appropriately selected organizations; and

   - *breadth and importance of results* to show that all important results are included.

3. **Include trend data covering actual periods for tracking trends**.

   No minimum period of time is specified for trend data. Trends might span five years or more for some results. However, for important results, new data should be included even if trends and comparisons are not yet well established.

4. **Use a compact format — graphs and tables**.

   Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be "normalized" — presented in a way (such as use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost workdays per 100 employees would be more meaningful than total lost workdays, if the number of employees has varied over the time period, or if you are comparing your results to organizations varying in size.

5. **Integrate results into the body of the text**.

   Discussion of results and the results themselves should be close together in an Award application. *Trends that show a significant positive or negative change should be explained.* Use figure numbers that correspond to Items. For example, the third figure for Item 7.1 would be Figure 7.1-3. (See the example in the figure that follows.)

   The following graph illustrates data an organization might present as part of a response to Item 7.1, Customer Focused Results. In the Business Overview, the organization has indicated on-time delivery as a key customer requirement.

   Using the graph, the following characteristics of clear and effective data reporting are illustrated:

   - A figure number is provided for reference to the graph in the text.

   - Both axes and units of measure are clearly labeled.

Figure 7.1-3 On-Time Delivery Performance
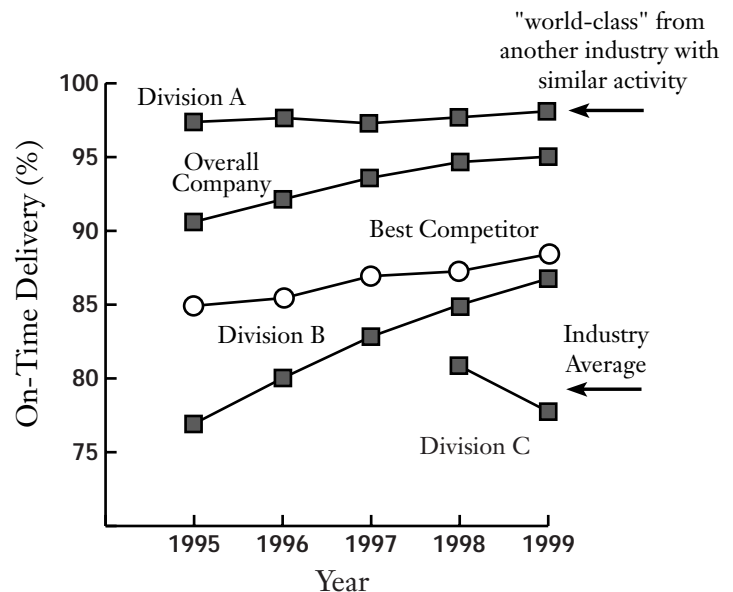
- Trend lines report data for a key customer requirement — on-time delivery.

- Results are presented for several years.

- Appropriate comparisons are clearly shown.

- The company shows, using a single graph, that its three divisions separately track on-time delivery.

To help interpret the Scoring Guidelines (page 45), the following comments on the graphed results would be appropriate:

- The current overall company performance level is excellent. This conclusion is supported by the comparison with competitors and with a "world-class" level.

- The company shows excellent improvement trends.

- Division A is the current performance leader — showing sustained high performance and a slightly positive trend. Division B shows rapid improvement. Its current performance is near that of the best industry competitor but trails the "world-class" level.

- Division C — a new division — is having early problems with on-time delivery. (The company briefly should explain these early problems.)

APPLYING FOR THE MALCOLM BALDRIGE NATIONAL QUALITY AWARD

The Malcolm Baldrige National Quality Award is an annual Award to recognize U.S. organizations for performance excellence.

The Award promotes:

- awareness of performance excellence as an increasingly important element in competitiveness; and

- information sharing of successful performance strategies and the benefits derived from using these strategies.

Award Participation

The Award eligibility categories include:

- manufacturing businesses

- service businesses

- small businesses

- education institutions

- health care organizations

Copies of the Education Criteria and Health Care Criteria are available, and ordering information can be found on page 53.

Three awards may be given in each category each year.

To participate in the Award process, an organization must submit an application package that addresses the Criteria for Performance Excellence (pages 10-26). Award applicants are expected to provide information and data on their organization's key processes and results. The information and data must be adequate to demonstrate that applicants' approaches are effective and yield desired outcomes.

Application Requirements

Each applicant needs to submit an application package that consists of three parts:

- an Eligibility Determination Form showing that eligibility has been approved;

- a completed Application Form; and

- an application report consisting of a Business Overview and responses to the Criteria.

Detailed information and the necessary forms are contained in the *2000 Application Forms & Instructions for Business, Education, and Health Care* booklet. Ordering instructions for this booklet are given on page 53.

Application Review

Applications are reviewed and evaluated by members of the Board of Examiners, in accord with strict rules regarding conflict of interest, in a four-stage process:

Stage 1 - independent review and evaluation by at least five members of the Board

Stage 2 - consensus review and evaluation for applications that score well in Stage 1

Stage 3 - site visits to applicants that score well in Stage 2

Stage 4 - Judges' review and recommendations of Award recipients

Feedback to Applicants

The feedback report, a tool for continuous improvement, is a written assessment by an evaluation team of leading U.S. experts. Each Award applicant receives a feedback report at the conclusion of the review process.

The feedback report contains an applicant-specific listing of strengths and opportunities for improvement based on the Criteria for Performance Excellence. Used by companies, education institutions, and health care organizations as part of their strategic planning processes, the feedback report helps organizations focus on their customers and improve productivity. The feedback system is one of the most important components of the Baldrige Award process; it provides a pathway for continuous improvement.

Feedback reports are mailed at various times during the Award cycle, based on the stage of review an application reaches in the evaluation process. Strict confidentiality is observed at all times and in every aspect of application review and feedback.

Award Recipients

Award recipients may publicize and advertise their Awards. Recipients are expected to share information about their successful performance strategies with other U.S. organizations.

If your organization is applying in the Education or Health Care Category, refer to the appropriate sector-specific Criteria booklet and the *2000 Application Forms & Instructions for Business, Education, and Health Care.* Ordering information is on page 53.

SUMMARY OF BUSINESS ELIGIBILITY CATEGORIES AND RESTRICTIONS

If You are Considering Applying For the Award:

- These Criteria should be used only for the business eligibility categories (manufacturing, service, and small business).

- The following is only a summary of the eligibility rules for the business categories. Summaries of the eligibility rules for the education and health care categories are in the respective Criteria booklets. For-profit health care organizations or education institutions can apply under the service category using these Criteria or under the health care or education categories, using their respective Criteria. If there is a question on eligibility, check the complete eligibility rules in the *2000 Application Forms & Instructions for Business, Education, and Health Care*, or call the Baldrige National Quality Program Office at (301) 975-2036.

- Whatever your Award Eligibility Category, you will need to obtain a copy of the *2000 Application Forms & Instructions for Business, Education, and Health Care* before proceeding. Ordering instructions are given on page 53.

Basic Eligibility

Public Law 100-107 establishes the three business eligibility categories of the Award: manufacturing, service, and small business. Any for-profit business and some subunits headquartered in the United States or its territories, including U.S. subunits of foreign companies, may apply for the Award. Eligibility is intended to be as open as possible. For example, publicly or privately owned, domestic or foreign owned entities, joint ventures, corporations, sole proprietorships, and holding companies may apply. Not eligible in the business category are: local, state, and federal government agencies; trade associations; professional societies; and not-for-profit organizations.

Business Award Eligibility Categories

Manufacturing: Companies or some subunits (see section below on subunits) that produce and sell manufactured products or manufacturing processes, and producers of agricultural, mining, or construction products.

Service: Companies or some subunits (see section below on subunits) that sell services.

Small Business: Companies or some subunits engaged in manufacturing and/or the provision of services that are comprised of 500 or fewer employees.

Subunits

A subunit is a unit or division of a larger (parent) company. Subunits of companies in the manufacturing, service, or small business eligibility categories might be eligible. The subunit must have more than 500 employees, or have more than 25% of the employees of the parent, or have been independent prior to being acquired by its parent. In the last case, it must continue to operate largely independently under its own identity.

The subunit must be self-sufficient enough to be examined in all seven Criteria Categories, and it must be a discrete business entity that is readily distinguishable from other parts of the parent organization. It cannot be primarily an internal supplier to other units in the parent company or a business support function (sales, distribution, legal services, etc.).

Other Restrictions on Eligibility

Location: Although an applicant may have facilities outside the United States or its territories or receive support from its parent, in the event of a site visit, the applicant must ensure that the appropriate people and materials are available for examination in the United States to document the operational practices associated with all of its major business functions. In the event that the applicant receives the Award, it must be able to share information on the seven Criteria Categories at the Quest for Excellence Conference and at its U.S. facilities. Sharing beyond the Quest for Excellence Conference is on a voluntary basis.

Multiple-Application Restrictions: A subunit and its parent may not both apply for Awards in the same year. In some cases, more than one subunit of a parent may apply. If the employee size of the parent, including all of its subunits, is:

- 0-1000 parent employees, 1 applicant per parent per category may apply;

- 1001-20,000 parent employees, 2 applicants per parent per category may apply;

- Over 20,000 parent employees, 2 applicants per parent per category for the first 20,000, plus 1 per 20,000 or fraction thereof above 20,000 per parent per category may apply.

Future Eligibility Restrictions: If an organization or a subunit that has more than 50% of the total employees of the parent receives an Award, the organization and all its subunits are ineligible to apply for another Award for a period of five years. If a subunit receives an Award, that subunit and all its subunits are ineligible to apply for another Award for a period of five years. After five years, Award recipients are eligible to reapply for the Award or to reapply "for feedback only."

Eligibility Determination

To ensure that Award recipients meet all reasonable requirements and expectations in representing the Award throughout the United States, potential applicants must have their eligibility approved prior to applying for the Award. Potential applicants for the 2000 Award are encouraged to submit their Eligibility Determination Forms as early as possible after they are available, but no later than April 6, 2000. This form is contained in the *2000 Application Forms & Instructions for Business, Education, and Health Care*.

How to Order Copies of Baldrige Program Materials

Note: If you are planning to apply for the Award, you will need the *2000 Application Forms & Instructions for Business, Education, and Health Care* in addition to the Criteria booklet.

Individual Orders

Individual copies of the Criteria booklets and the Application Forms & Instructions can be obtained free of charge from:

Baldrige National Quality Program
National Institute of Standards and Technology
Administration Building, Room A635
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020
Telephone: (301) 975-2036
Fax: (301) 948-3716
E-mail: nqp@nist.gov

Bulk Orders

Multiple copies of the *2000 Criteria for Performance Excellence* booklets may be ordered in packets of 10 for $29.95 plus shipping and handling from the American Society for Quality (ASQ).

2000 Business Criteria — Item Number T1101
2000 Education Criteria — Item Number T1103
2000 Health Care Criteria — Item Number T1102

How to Order

ASQ offers four convenient ways to order:

- For fastest service, call toll free (800) 248-1946 in the United States and Canada (in Mexico, dial toll free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) ASQ member number ready.

- Or fax your completed order form to ASQ at (414) 272-1734.

- Or mail your order to: ASQ Customer Service Department, P.O. Box 3066, Milwaukee, WI 53201-3066.

- Or order online by accessing ASQ's website at http://www.asq.org.

Payment

Your payment options include: Check, money order, U.S. purchase order, VISA, MasterCard, or American Express. Payment must be made in U.S. currency; checks and money orders must be drawn on a U.S. financial institution. All international orders must be prepaid. Please make checks payable to ASQ.

Shipping Fees

The following shipping and processing schedule applies to all orders:

Order Amount	U.S. Charges	Canadian Charges
0 - $34.99	$ 4.00	$ 9.00
$35.00 - $99.99	6.25	11.25
Over $100.00	12.50*	17.50

- There is an additional charge of 25% of the total order amount for shipments outside the United States/Canada.

- Orders shipped within the continental United States and Canada where UPS service is available will be shipped UPS.

- Please allow one to two weeks for delivery. International customers, please allow six to eight weeks for delivery.

- Your credit card will not be charged until your items are shipped. Shipping and processing are charged one time, up front, for the entire order.

If actual shipping charges exceed $12.50 ($17.50 Canadian), ASQ will invoice the customer for the additional expense.

Baldrige Educational Materials

Each year, the Baldrige National Quality Program develops materials for training members of the Board of Examiners and for sharing information on the successful performance excellence strategies of the Award recipients. The following items are a sample of the educational materials that may be ordered from ASQ.

▪ Case Studies

The case studies are used to prepare Examiners for the interpretation of the Criteria and the Scoring System. The case studies, when used with the Criteria, illustrate the Award application and review process. The case study packet is illustrative of an application for the Baldrige Award and is useful in understanding the benefits of the Baldrige process, as well as for self-assessment, planning, training, and other uses.

1999 Business Case Study Packet: Collin Technologies (Based on the *1999 Criteria for Performance Excellence*)

Item Number T1079: $49.95 plus shipping and handling

1998 Business Case Study Packet: Gemini Home Health Services (Based on the *1998 Criteria for Performance Excellence*)

Item Number T1083: $49.95 plus shipping and handling

Education Case Study Packet: Ridgecrest School District (Based on the *1995 Education Pilot Criteria*)

Item Number T1023: $7.28 plus shipping and handling

Health Care Case Study Packet: Pinnacle Health Plan (Based on the *1995 Health Care Pilot Criteria*)

Item Number T1029: $7.28 plus shipping and handling

■ Award Recipients' Videos

The Award recipients' videos are a valuable resource for gaining a better understanding of performance excellence and quality achievement. The videos provide background information on the Baldrige National Quality Program, highlights from the annual Award ceremony, and interviews with representatives from the Award recipients' organizations. Information on the 1999 Award recipients video is provided below. Videos about Award recipients from other years also are available from ASQ.

1999 — Item Number T1086 $ 20.00
(Available March 2000)

■ How to Order

To order a Case Study Packet (Collin Technologies, Gemini Home Health Services, Ridgecrest School District, or Pinnacle Health Plan), bulk orders of the 2000 Criteria booklet, or the Award recipients' videos, contact:

ASQ Customer Service Department
P.O. Box 3066
Milwaukee, WI 53201-3066
Telephone: (800) 248-1946
Fax: (414) 272-1734
E-mail: asq@asq.org
Web Address: http://www.asq.org

FEES FOR THE 2000 AWARD CYCLE

Eligibility Determination Fees

The eligibility determination fee is $100 for all potential business applicants. This fee is nonrefundable.

Application Fees

- manufacturing business category — $4500
- service business category — $4500
- small business category — $1500
- supplemental sections — $1500

Detailed information on fees is given in the *2000 Application Forms & Instructions for Business, Education, and Health Care* booklet.

Note: There will be an increase in fees in 2001.

Site Visit Review Fees

Site visit review fees will be set when the visits are scheduled. Fees depend upon the number of Examiners assigned and the duration of the visit. Site visit review fees for applicants in the small business category will be charged at one-half of the rate charged for applicants in the manufacturing and service categories. These fees are paid only by those applicants reaching the site visit stage.

**Eligibility Determination Forms due — April 6, 2000
Award Applications due — May 31, 2000**

The Baldrige National Quality Program welcomes your comments on the Criteria or any of the Baldrige Award processes. Please address your comments to:

2000 Criteria for Performance Excellence
Baldrige National Quality Program
National Institute of Standards and Technology
Administration Building, Room A635
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020

or   E-mail: nqp@nist.gov

or   Web Address: http://www.quality.nist.gov

The Malcolm Baldrige National Quality Award was created by Public Law 100-107, signed into law on August 20, 1987. Public Law 100-107 led to the creation of a new public-private partnership. Principal support for the program comes from the Foundation for the Malcolm Baldrige National Quality Award, established in 1988.

The Award is named for Malcolm Baldrige, who served as Secretary of Commerce from 1981 until his death in 1987. His managerial excellence contributed to long-term improvement in efficiency and effectiveness of government.

The Findings and Purposes Section of Public Law 100-107 states that:

"1. the leadership of the United States in product and process quality has been challenged strongly (and sometimes successfully) by foreign competition, and our Nation's productivity growth has improved less than our competitors' over the last two decades.

2. American business and industry are beginning to understand that poor quality costs companies as much as 20 percent of sales revenues nationally and that improved quality of goods and services goes hand in hand with improved productivity, lower costs, and increased profitability.

3. strategic planning for quality and quality improvement programs, through a commitment to excellence in manufacturing and services, are becoming more and more essential to the well-being of our Nation's economy and our ability to compete effectively in the global marketplace.

4. improved management understanding of the factory floor, worker involvement in quality, and greater emphasis on statistical process control can lead to dramatic improvements in the cost and quality of manufactured products.

5. the concept of quality improvement is directly applicable to small companies as well as large, to service industries as well as manufacturing, and to the public sector as well as private enterprise.

6. in order to be successful, quality improvement programs must be management-led and customer-oriented, and this may require fundamental changes in the way companies and agencies do business.

7. several major industrial nations have successfully coupled rigorous private-sector quality audits with national awards giving special recognition to those enterprises the audits identify as the very best; and

8. a national quality award program of this kind in the United States would help improve quality and productivity by:

   A. helping to stimulate American companies to improve quality and productivity for the pride of recognition while obtaining a competitive edge through increased profits;

   B. recognizing the achievements of those companies that improve the quality of their goods and services and providing an example to others;

   C. establishing guidelines and criteria that can be used by business, industrial, governmental, and other organizations in evaluating their own quality improvement efforts; and

   D. providing specific guidance for other American organizations that wish to learn how to manage for high quality by making available detailed information on how winning organizations were able to change their cultures and achieve eminence."

Baldrige National Quality Program

United States Department of Commerce
Technology Administration
National Institute of Standards and Technology
Baldrige National Quality Program
Administration Building, Room A635
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020

The National Institute of Standards and Technology (NIST) is a non-regulatory federal agency within the Commerce Department's Technology Administration. NIST's primary mission is to strengthen the U.S. economy and improve the quality of life by working with industry to develop and apply technology, measurements, and standards. The Baldrige National Quality Program at NIST manages the Malcolm Baldrige National Quality Award.

Call the Baldrige National Quality Program for:

- information on applying for the Baldrige Award
- information on the Malcolm Baldrige National Quality Award process and eligibility requirements
- information on becoming a Baldrige Examiner
- information on the Baldrige Award recipients
- individual copies of the Criteria for Business, Education, and Health Care (no cost)
- information on other Baldrige National Quality Program materials

Telephone: (301) 975-2036; Fax: (301) 948-3716; E-mail: nqp@nist.gov
Web Address: http://www.quality.nist.gov

American Society for Quality

611 East Wisconsin Avenue
P.O. Box 3005
Milwaukee, WI 53201-3005

The American Society for Quality (ASQ) advances individual and organizational performance excellence worldwide by providing opportunities for learning, quality improvement, and knowledge exchange. ASQ administers the Malcolm Baldrige National Quality Award under contract to NIST.

Call ASQ to order:

- bulk copies of the Criteria
- case studies
- Award recipients' videos

Telephone: (800) 248-1946; Fax: (414) 272-1734; E-mail: asq@asq.org
Web Address: http://www.asq.org

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